How to regulate agricultural prices
Jacques Berthelot, September 21, 2013

By the same author

Les coopératives agricoles en économie concurrentielle, Cujas, 1972

Les sillons de la faim, en collaboration avec François de Ravignan, L'Harmattan, 1980

L'agriculture, talon d'Achille de la mondialisation, L'Harmattan, 2001

Réguler les prix agricoles, L'Harmattan, 2013

Preface by Mamadou Cissokho,

Honorary President of ROPPA
Network of Peasant Organizations and
Agricultural Producers of West Africa

The production of goods and services for human needs has risen through increased exchanges between producers themselves, already through barter and then through more sophisticated trading instruments.

World trade has been present throughout the history of development but was marred by wars for the control of resources needed to expand production. It eventually evolved to impose the rules agreed within the WTO.

If it is essential to fulfill human needs, trade is a source of complementarities but also of conflicts, being based on a competition between suppliers and buyers.

If the WTO is a first attempt to monitor a just global competitiveness, the content of many provisions is disputed due to a lack of transparency and fairness. Its unequal rules favor the better-off States on access to markets and to profits they provide.

The Cotonou Agreement signed in 2000 between the EU and ACP countries marked a turning point in the trade relations prevailing in the previous agreements of Yaoundé and Lomé. If the Cotonou Agreement clearly states that both parties undertake negotiations in order to increase their reciprocal trade benefits, these negotiations have prioritized too much these aspects at the expense of development and family farms' needs. Africa is experiencing an increasing food insecurity, which was already fostered since the 1980s by the opening-up of its domestic market imposed by the IMF and World Bank's structural adjustment policies.

It is in the fight for a trade that supplies, supports and promotes exchanges for the benefit of all human groups, that my path crossed that of Jacques Berthelot. His presence at my side for many years gave me hope.

Yes, hope in the ability of man to create a world where man himself will no longer starve, not only in Africa but anywhere in the world. Yes hope in that man will find answers to put right the typology of forms of protection permitted and prohibited, which guarantees the food domination of rich countries which have imposed to poorer ones this unfair typology through various mechanisms. Thus, for example, India was condemned by the WTO Appellate Body on 22 September 1999 after the U.S. complained that it was intolerable that India pretended to restrict food imports.

Jacques Berthelot offers us in this book ways to build sustainable family farming based on food

sovereignty in sub-Saharan Africa.

I support these proposals because I believe in the struggle for the democratization of international relations. Because I believe in the struggle for inter-African cooperation. Because I believe in the fight for South-South cooperation. Because I believe in the fight against certain Economic Agreements. Because I believe in the fight for Africa capacity to open itself to all countries of the world, because the center of gravity of the world economy is in the process of migrating from Europe to Asia and maybe tomorrow to Africa.

I agree with these proposals because I believe, finally, in the genius of my people and its ability to feed itself and, even more, a part of the world. I agree with these proposals because I believe in food sovereignty. I agree with these proposals because I believe in the ability of family farms.

A fair competition between nations may lead to human progress. Formerly, the progress was achieved only from working the land, based on the physical strength of man. It was then driven by animal traction, and then by the discovery of steam and fossil fuels. This lasted throughout the 19th century and part of the 20th century.

But nowadays, human progress is dominated by the immaterial sphere. What does this mean? This means that the knowledge and expertise far outweigh the disposal of raw materials. Consider the case of Japan, South Korea and China. Today, ideas are more important than products. Behaviours that have names "devise", "invent", "create", "imagine", "undertake" are as important, if not more, than raw products and even skills.

This sphere of intangibles currently benefits only countries whose populations have a foothold in the fields of imagination and culture.

Hence the strategic importance of the technical proposals of Jacques Berthelot related to import protection. He invites us to build a strong consensus and, beyond the panels at the WTO Dispute Settlement Body, to build a world of peace, democratic, stable and showing solidarity.

In this context I hope that the United States of Africa will avail of its own currency, with appropriate exchange rates, which will help it one day to participate in the fight for the dignity of the people of our region and its revival, especially in food. That is this hope that I have always shared with Jacques Berthelot.

This is why, after having read and understood, I cry out: "Let's not make food an issue of ideological and political rivalries." Jacques Berthelot invites us with lucid and courageous technical proposals to build a consensus and to give the WTO, despite its imperfections, the time to complete the work that has been conducted since the year one of its founding. This is the condition for the landing of humanity at the dock of Justice, at least in terms of food.

With Jacques, let us continue the fight for a trade serving the development of peoples.

Dakar, 21 February 2013

"Bread of falsehood is sweet to a man;
But afterwards his mouth shall be filled with gravel."

Proverbs of Solomon, XIII, 20-17

Summary

According to a new evaluation method, FAO estimates that 868 million people were undernourished in 2010-12, or 12.5% of the world population, against 980 million or 18.6% in 1990-92[1]. But the decline stopped since 2007-09, which is entirely due to Sub-Saharan Africa (SSA) where the chronically undernourished increased from 216 to 234 million and their rate from 26.5% to 26.8%. The stop in the decline of chronically undernourished at the world level since 2007 and their rise in SSA are linked to the explosion of food prices, particularly for basic staples as cereals, even if a respite occurred in 2009, but to start up again with renewed vigour since the second semester 2010.

The explosion of world agricultural prices triggered an extensive number of analyses and mobilized all international institutions which multiplied meetings and reports but without getting to a consensus and actual implementation. The prevailing analyses sidestepped the question by invoking a whole series of factors from the supply and demand sides, which clearly played some role, but minimizes the main factors. From the supply side they stressed the climatic vagaries, the oil price hike – which undoubtedly rose the costs of fertilizers and transport – and export restrictions, and, from the demand side, the increasing consumption of animal products, hence of feedstuffs, in emerging countries, particularly China.

The objective of this book is to propose the main instruments to be implemented in order to stabilize agricultural prices at a remunerative level for the majority of farmers. This proposal is valid for almost all countries, including the European Union (EU), but we will focus here on ECOWAS (Economic Community of West African States) as it is the world region the most affected by food deficits and the region which will be facing the highest population increase from 2010 to 2050, by 2.26% a year, and which will be the most affected by global warming.

We must first understand which were the forms, sources and impacts of the recent explosions of agricultural and food prices, and the role played by financial speculation. As the food prices were expected to remain at high levels in the long run, they triggered in turn a wave of land speculation, a land grabbing race for the agricultural lands still available at low prices.

The identification of the two main causes of the agricultural prices explosion – the fast increasing level of agricultural products processed into agrofuels, and first of cereals processed into ethanol, and the impetus thus given to financial speculation – allows to sideline the main remedies proposed by the G20, namely its ambiguous strategy to fight agricultural prices volatility, the suppression of export restrictions and the creation of security stocks of cereals in regions with recurrent food deficits, particularly West Africa.

[1] http://www.fao.org/docrep/016/i3027e/i3027e.pdf

The book can then concentrate on the main remedy that should be implemented to regulate agricultural prices and markets: rebuilding import protection on variable levies (VLs), the main key to found agricultural policies on food sovereignty at the level of geopolitical groupings of neighbouring countries of the same development level, applying it to ECOWAS. This will appear a seemingly impossible task for many reasons. First because the WTO Agreement on Agriculture (AoA) forbides to use VLs any longer despite they were at the basis of the tremendous development of the EU agricultural production from 1962 to 1992. Yet the WTO Members continue to use extensively VLs disguised behind many other designations. We will see also that the WTO denies to ECOWAS' Member States the "other duties and charges" that they had bounded[2] individually at the WTO in 1995. Unfortunately the ECOWAS common external tariff (CET), which should be adopted soon, deals only with the applied duties whereas the generally high level of the bound tariffs of each of its Member States would have allowed a high margin of manoeuver to raise their applied tariffs.

However the reader would excuse that the limits of this book does not permit to cover all the means and steps required to regulate the volatility and speculation on agricultural prices. Broader proposals are required to rebuild agricultural policies on food sovereignty, including in ECOWAS, but they could be covered in future books. The recent remarkable report of Franck Galtier and Bruno Vindel deals extensively with these other components while joining us on the need to implement variable levies[3].

Finally, the price regulation proposed here deals only with basic food products, mainly cereals and oilseeds, but not with the prices of tropical products such as coffee, cocoa and cotton.

[2] The bound level of a tariff is the maximum level, notified to the WTO, that the applied tariff can reach.

[3] Franck Galtier et Bruno Vindel, *Gérer l'instabilité des prix alimentaires dans les pays en développement*, CIRAD et AFD, Décembre 2012, http://www.afd.fr/A-Savoir

I – The explosion of agricultural and food prices

The formation of national and global agricultural and food prices

We will focus particularly on cereals for several reasons. First because they represented in 2009 46% of calories consumed at the world level, against 10% for vegetable oils, 8% for sugar and meats, 7% for dairy products, 6% for fruits and vegetables, 5% for roots, 2% for pulses and alcoholic drinks, and 1% for fish and eggs[4]. Then because a third of cereals are used as feedstuffs (but 56% in the EU), which impacts much the prices of meats, eggs and dairy products. But we will focus also on soybean which accounted on average, from 2008 to 2012, for 57% of the global oilseeds production and 68% of oilseeds meals used in feedstuffs.

The world prices of cereals (except rice) and oilseeds (except palm oil) are the US export prices (FOB prices: free on board), which are quoted on the stock exchanges (futures markets) of Chicago, Kansas City and Minneapolis: all world exporters and importers align their own prices accordingly, allowing for gaps in transport costs and exchanges rates[5]. This is working particularly for the major part of cereals imported in the European Union (EU), where the import price, tariffs included, cannot be lower than 155% of the intervention price, that is of 157 € per tonne (t), the intervention price being of 101.31 €/t. But the tariffs cannot exceed their bound levels at the WTO, which are of 148 €/t for durum wheat, 95 €/t for soft wheat, 94 €/t for maize and sorghum, 93 €/t for barley, triticale and rye, and 89 €/t for oats.

More precisely, for soft wheat of high quality (high protein), durum wheat, maize, sorghum and rye, the tariff is the gap between 155% of the intervention price and the CIF (cost, insurance, freight: import price) representative price in Rotterdam[6] which has three components: 1) the Minneapolis Grain Exchange price fort soft wheat of high quality and durum wheat, the Chicago Mercantile Exchange price for maize (corn), sorghum and rye; 2) the transport cost from these Exchanges to an export port of the Mexico's Gulf or the Great Lakes; 3) the freight cost to Rotterdam. These three components are calculated daily by the European Commission (EC) and the tariffs are fixed normally every fortnight. However, as the representative prices have much exceeded 157 €/t for several years and as the euro has depreciated against the US dollar since 2008, no tariff was levied on durum wheat and high quality soft wheat since the 17 August 2010 and on sorghum and rye since the 19 October 2010. For a change to occur it would be necessary that the US prices would drop in the mid run or that the euro would appreciate strongly, which is unlikely. On the other hand for the other cereals – soft wheat of low and average quality, barley and oats – they are the fixed *ad valorem*[7] tariffs mentioned above which apply. Incidentally the EU applied and bound agricultural tariffs are the same. However, for both categories of cereals tariff quotas – amount of products imported at a lower rate below the quota – have limited the tariffs: 2.989 million tonnes (Mt) for soft wheat of low and average quality, of which 572,000 t for the U.S., with a tariff at 12 €/t; 306 215 t for feed barley, at 16 €/t, and 50,000 t for barley malt, at 8 €/t; 242,074 t for maize, at 0 tariff and 350,000 t at 0 tariff for durum wheat. However some of these quotas are not fully used. Besides, the EC has suspended tariffs several times: from July 2007 to end June 2009 on maize and on tariff quotas of wheat of low and average quality and of feed barley, and these tariff quotas duties have been again suspended since February 2011 and will last till 30 June 2013 to not penalize the producers of animal products in the context of high feedstuffs prices. However the duties on imports beyond the quota were not lowered.

The spectacular explosion of world prices of cereals and oilseeds in 2007-08 was rapidly transmitted to animal products and triggered hunger riots in more than 30 countries. It triggered also a race to land

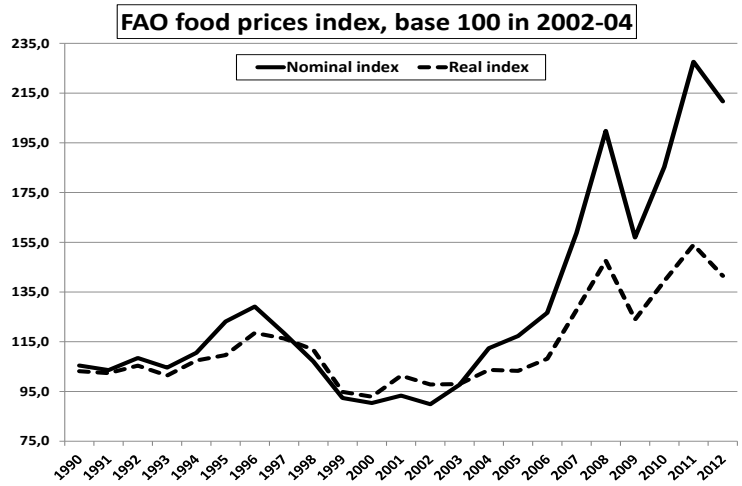
[4] FAO, Food balances, http://faostat.fao.org/DesktopDefault.aspx?PageID=368&lang=fr#ancor

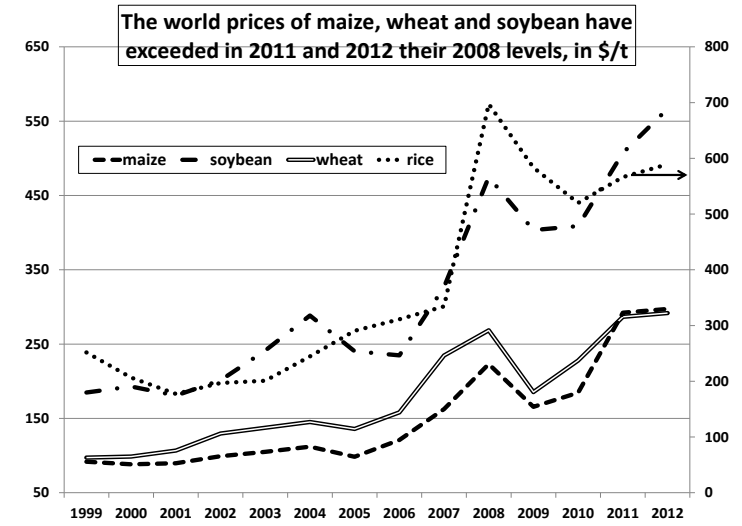
[5] Daryll E. Ray, Daniel G. De La Torre Ugarte, Kelly J. Tiller, *Rethinking U.S. Agricultural Policy: Changing Course to Secure Farmer Livelihoods Worldwide*, September 2003.

[6] CIF price: cost, insurance, freight. It is the import price before tariff.

[7] Tariffs can be either *ad valorem* – fixed percentage of the CIF import price –, or specific – per physical unit: tonne, hectolitre, cattle head… –, or complex: *ad valorem* plus specific.

grabs and the two events have mobilized the international institutions to try to master these two issues. However, after a sharp decline in the prices of cereals and oilseeds from the second semester 2008 to the first semester 2010, they exploded again, to the point that the average prices of maize, wheat and soybean exceeded in 2011 and 2012 the averages reached in 2008, even if this was not the case for rice, whose global market is more limited. This can be seen on the graphs below[8]: the first one is that of the FAO food prices index from 1990 to 2012 – in fact it relates to the bulk export prices of agricultural products for food and not to the food prices at consumers' level – and the second presents the US FOB prices for wheat, maize and soybean from 1999 to 2012 (left scale) and the Thai FOB price of rice (right scale).

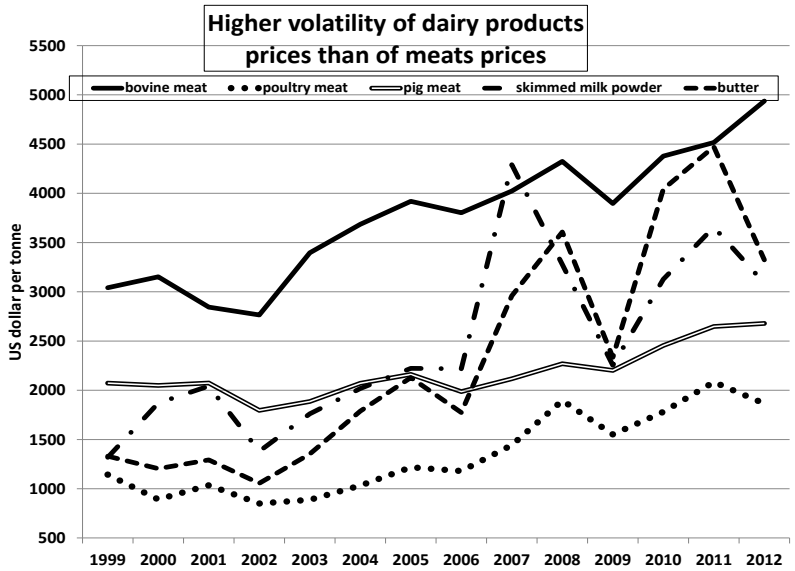




The following graph shows that the world prices of dairy products (skimmed milk powder and butter) FOB Oceania have been much more volatile[9] than the prices of bovine, pig and poultry meats.

[8] To avoid overloading the graphs, the sources are not mentioned but are always the same: USDA (US Department of Agriculture), Eurostat, Faostat, INSEE, Comtrade.

[9] We talk about prices volatility when they are subject to strong fluctuations intra-or inter-annual, upward and downward.

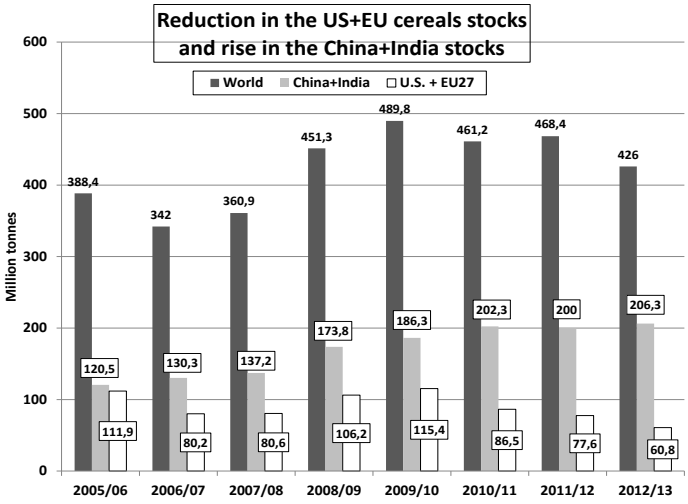


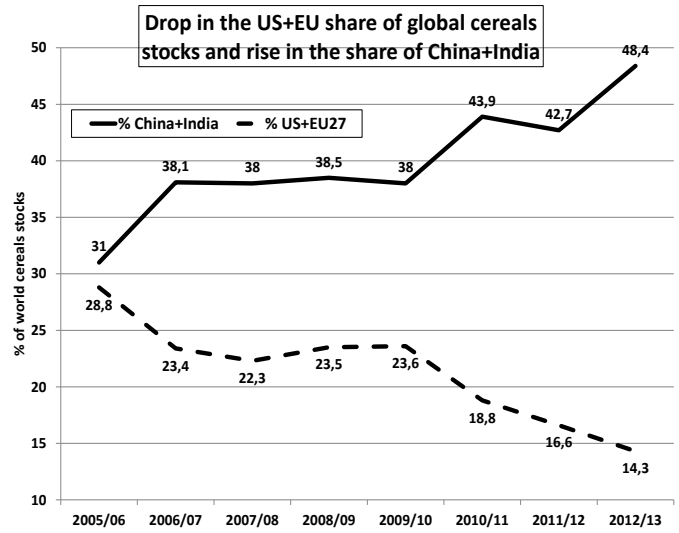
The impact of agricultural prices on households' food budget declines according to the development level of countries as the share of this budget goes from an average of 50% in low income countries to 15% in high income ones, and the poorer a country the more it consumes less processed products and much more cereals and tubers than animal products. Thus in 2009 cereals provided 72% of calories and 68% of proteins in Burkina Faso against respectively 26% and 25% in France and 22% and 21% in the US. And the poorer the household the higher the food share of his budget: the poorest quintile devotes more than 70% to food in Ghana or Pakistan. In France the lowest decile devoted in 2006 17.5% of its budget to food against 12.7% for the highest decile. On the other hand the higher the level of a country per capita income the lower the share of the agricultural price in the consumer's price. If the farmer's price of soft wheat increased by 150% in France from October 2005 to October 2012, the price of bread rose by only 15%, but if the farmer's price of cow milk stagnated in the same period, the consumer's price rose by 11%. As a general rule consumers' prices are much more stable that agro-industries' prices which are themselves more stable than farm prices. In general consumers' prices do not fall when farm prices fall but they increase also less when farm prices explode, except for perishable products like fruits and vegetables for which the higher farm prices are immediately passed along to consumers.

The basic causes of the explosion of cereals and oilseeds prices

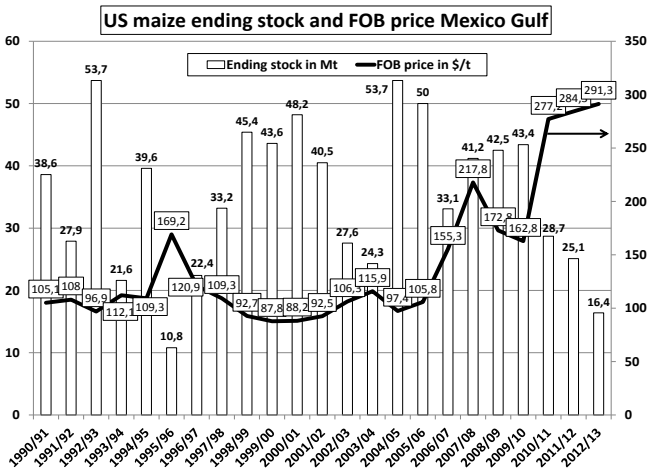
Most experts' and international institutions' reports on the causes of the explosion of cereals and oilseeds prices in 2007-08, then since the second semester of 2010, evaded the issue by invoking a long series of factors from the supply and demand sides, which have clearly played some role, while minimizing the main factors. On the supply side they insisted on climate vagaries, export restrictions and the spikes of oil prices – which rose the fertilizers prices and transport costs – and, on the demand side, on the increased consumption of animal products, hence of feedstuffs, in emerging countries, namely China.

Actually things are simpler but much less glorious for the US and EU: the first cause was the drop of their cereals stocks, largely due to agrofuels, and this top cause was reinforced by speculation.





Indeed we know that there is a reverse correlation between the level of stocks and the level of prices for all commodities. And we acknowledged a clear correlation between the spikes of cereals prices, particularly maize and wheat, and the fall in the US and even global ending stocks from 2005-06 to 2011-12. The following graph shows the net reverse correlation between the US ending stock of maize and the level of its Mexico Gulf FOB price since 1990. However the correlation did not work from 2006-07 to 2007-08 as a result of a high speculation on which we will come back.

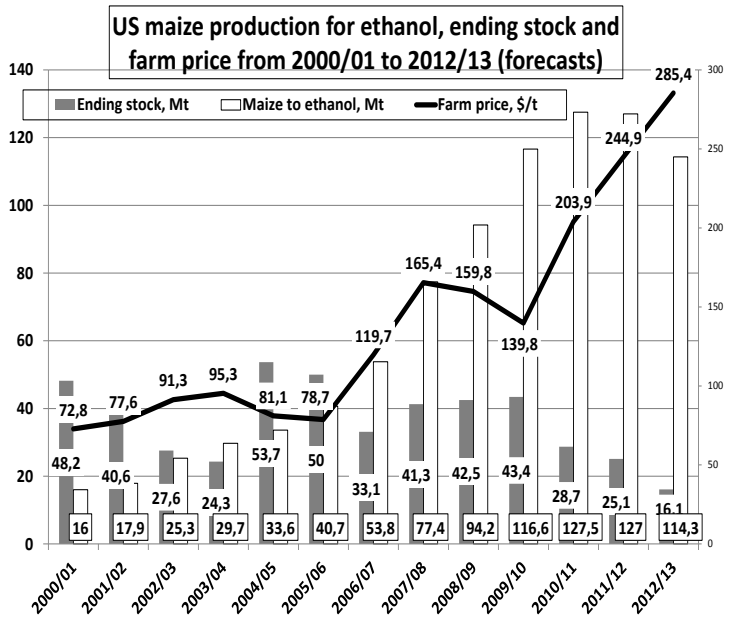


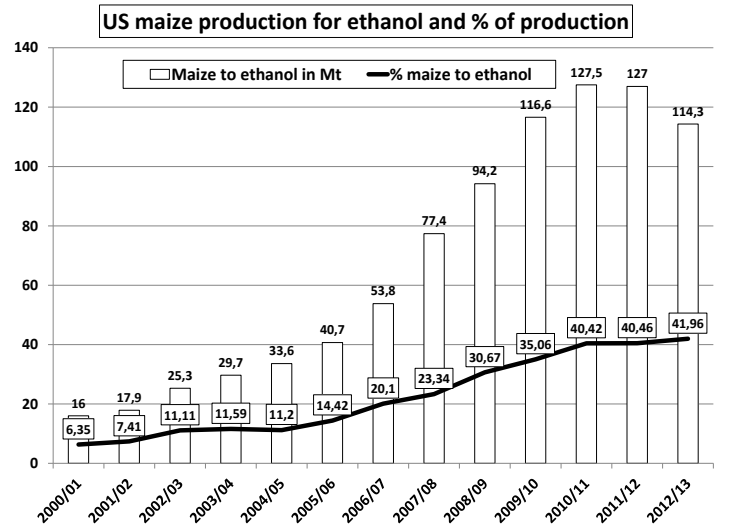
During the first prices explosion from 2005-06 to 2007-08 the drop in the US + EU stocks of 31.4 million tonnes (Mt) exceeded by 14% that of global stocks (by 27.5 Mt). And, while the global stocks fell again by 18.7 Mt from 2009-10 to 2011-12, those of US + EU fell by 28 Mt, or by 50% more. Indeed, contrary to the charges against China and India, both countries increased their cereals stocks by 18.6 Mt in the first period and by 13.1 Mt in the second. And in both periods the fall in the US and EU cereals stocks was mainly due to coarse grains: by 19.6 Mt in the first period and by 29.7 Mt in the second. It is not necessary to speak of the rice ending stocks because those of the US and EU have always been very low (about 1 Mt each) even if their level fell also along the period at the same time when the global stocks were rising. On the whole the joined US and EU share in the global cereals stocks dropped from 28.8% in 2005-06 to the 14.3% anticipated for 2012-13, of which from 26.3% to 17.2% for wheat and from 47.3% to 20.2% for coarse grains. At the same time the joined share of China and India rose from 31% to 48.4%, of which from 24.7% to 43.7% for wheat and from 21.9% to 42.4% for coarse grains. As for rice, the US + EU share remained low, from 0.8% to 1.8%, while the China + India share rose from 61.6% to 67.5%.

The agrofuels, main responsible of falling cereals stocks

The explosion of cereals prices results from the following domino effect: the oil price spike entailed automatically an ethanol price spike, particularly in the US where it is processed almost exclusively from maize. Indeed the Congress mandate – coming from the Energy Policy Act of August 2005 creating the Renewable Fuel Standard with a mandate of 28.4 billion litres (l) by 2012, and amplified by the Energy Independence and Security Act of December 2007 having raised the mandate at 136 billion l by 2022, of which a maximum of 56.8 billion l of maize ethanol – imposed to oil companies the incorporation of a growing percentage of ethanol in petroleum on pain of deterrent fines. However the ethanol producers were subsidized through a tax credit of 0.135 $/l and protected from cheap imports by a tariff of 2.5% plus 0.14 $/l, but these two supports have been eliminated since 2012. As a result maize production has been rising fast, all the more that maize was largely subsidized despite its higher price, through fixed direct payments and insurance subsidies which rise together with the market price. As in many US zones maize occupies the same soils than soybean and often also than wheat, their production dropped and their prices jumped. And, as the US is the first exporter of maize and wheat, and the second or third exporter of soybean, the world prices of the three grains jumped. As, besides, maize and soybean are the most used feedstuffs, the end result was a spike in the world prices of meats, eggs and dairy products.

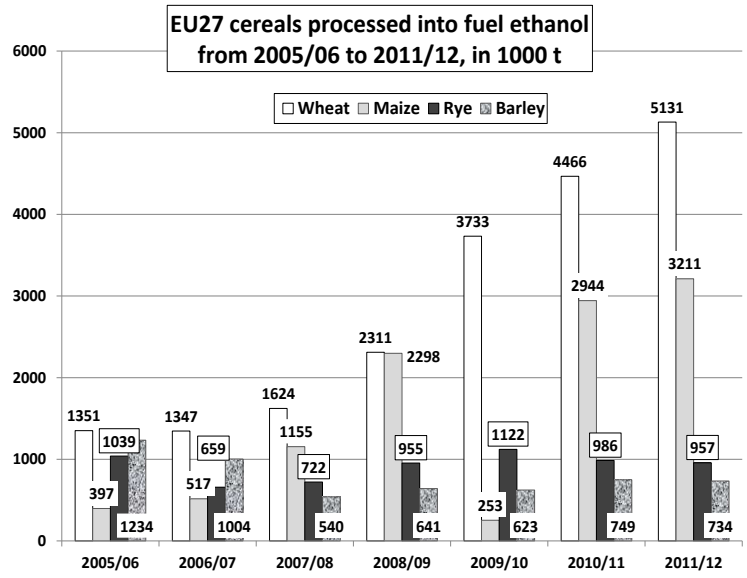
Thus the 67% spike in the US farm price of maize from 2005-06 to 2006-07 (graph below) is linked to the 34% fall in the ending stock, but the 44% jump in the price from 2006-07 to 2007-08 cannot be explained by the level of the ending stock which rose by 25%. The only explanation lies in the Congress mandate for an increased incorporation of ethanol in petroleum and in the strong signal given consequently to the index funds to take long positions – i.e. to buy safely index funds with a large percentage of agricultural products – as long as the oil price and the level of subsidies and import protection would guarantee the ethanol profitability.





The EU cereals and sugar beets processed into ethanol

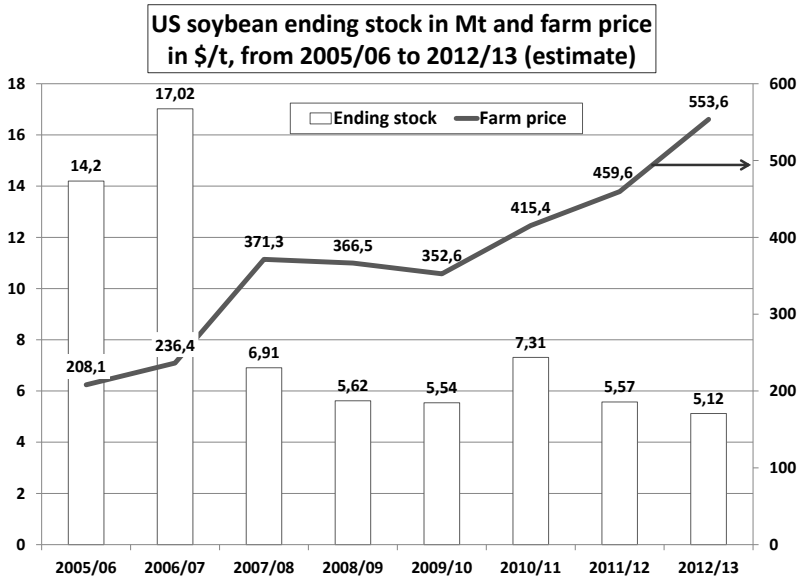
While fuel ethanol production in the EU27 is incommensurate with that of the EU and Brazil, it is all the more significant because it is increasing and the European Commission plans to allocate to it 20 million tons of cereals in 2022, twice the 2012 amount, regardless of ethanol imports. The following graph shows that the addition of the four cereals processed into fuel ethanol rose from 4t Mt in 2005-06 to 10 Mt in 2011-12. And we should not forget the increased processing of sugar beet, from 3.1 Mt in 2005-06 to 10.3 Mt in 2011-12.



The soaring prices of vegetable oils are linked to biofuels

The soaring prices of vegetable oils reflects both the surge in maize prices due to ethanol and the sharp rise in the production of biodiesel in the EU, the largest producer in the world.

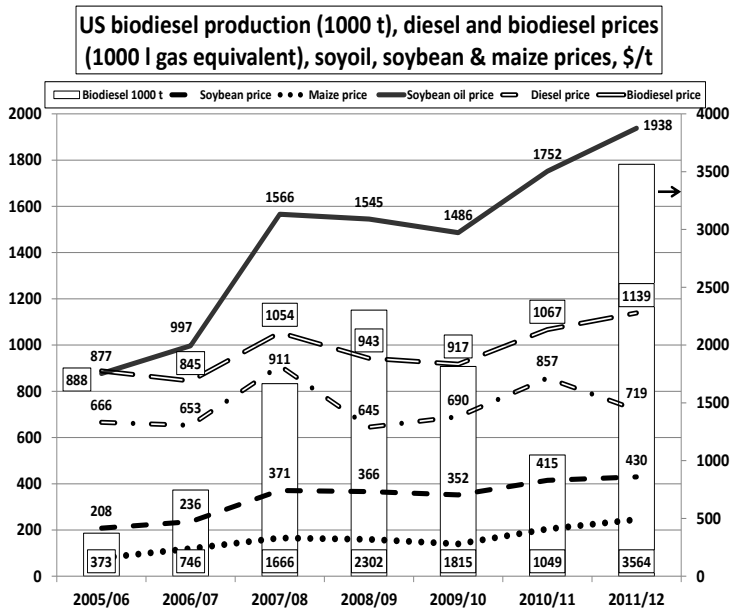
The close link between the prices of maize and soybeans in the US has many causes. Soybean production declined by10.3 Mt from 2005-06 to 2007-08 due to lower sown acreage in favour of maize, driving down the ending stock to 10 Mt from 2006-07 to 2007-08 and rising soybean prices from 208 $/t in 2005-06 to 236 $/t in 2006-07 and 371 $/t in 2007-08, this 57% rise in soybean prices from 2006-07 to 2007-08 having exceeded the 38% rise in the price of maize. The graph also shows that the increase in soybean prices corresponded to the overall decline in the soybean stock from 2006-07.



The following chart compares the prices of biodiesel and diesel (in 1000 liters of gas of an equivalent calorific power) with the prices of soybean oil, corn and soybeans in $/t with the production of biodiesel in 1000 tonnes[10]. Of course the price of biodiesel closely follows that of diesel but is higher

[10] http://www.afdc.energy.gov/data/tab/fuels-infrastructure/data_set/10326

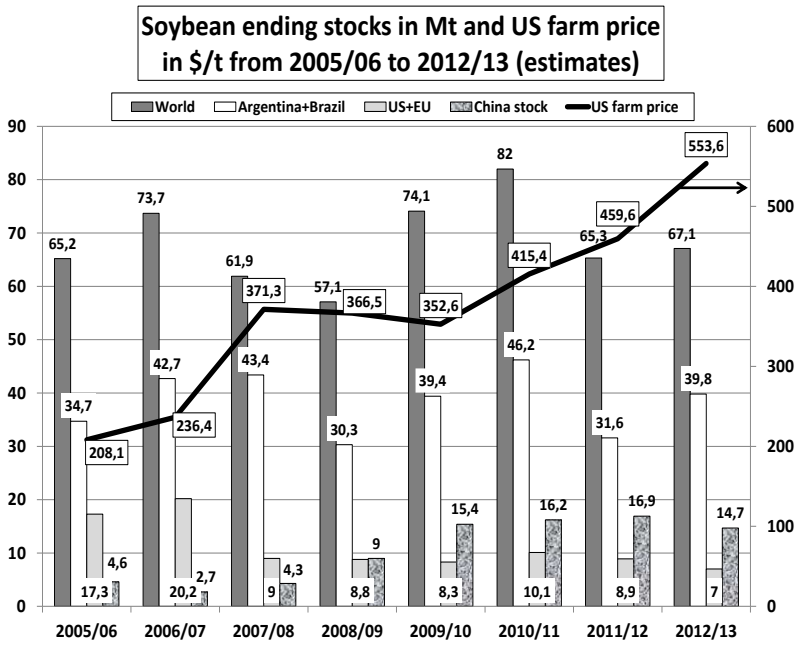
because of its lower calorific power even though pump prices are comparable or even lower for biodiesel. However the gap between their prices increases from 2010-11 to 2011-12 because the price of soybean oil soared while the price of diesel fell. Moreover, the price of soybean oil follows the upward trend of the soybean price, which sticks to the trend in the price of corn. But it is also more heavily influenced by the prices of other vegetable oils and soybean meal than by soybean prices, on the one hand because the oil price has only accounted on average for 40% of the price of soybeans and, secondly, because biodiesel has consumed only 13.6% of the soybean oil on average but has reached 24.7% in 2011-12. Finally, the factors explaining that all these prices moved upward were the most important so that there was no correlation between them and the production of biodiesel, which was much more influenced by the Congress' mandate and the tax credit.



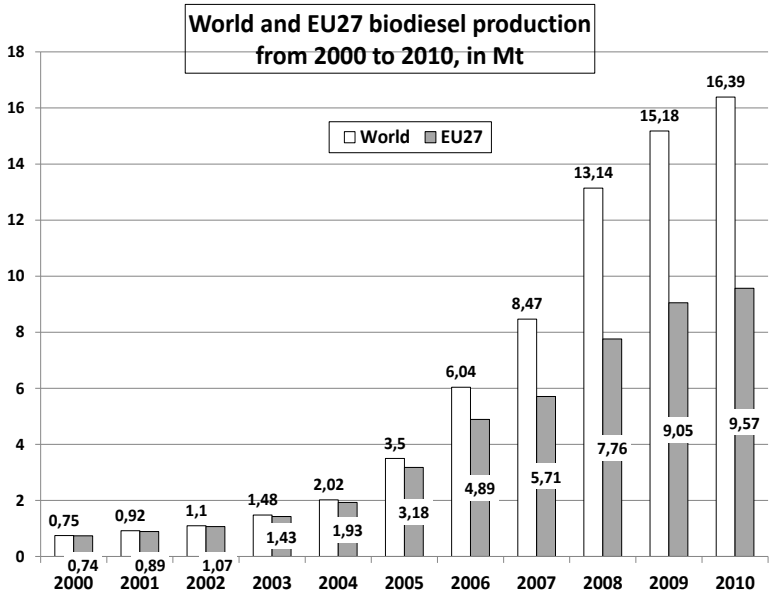
Soybean biodiesel has not shown the dynamism of ethanol due to the high price of soybeans, but Collins blames biodiesel for 52% of the increase in the use of soybean oil from 0.8 Mt in 2005-06 to 1.5 Mt in 2007-08[11].

But declining international stocks of oilseeds and vegetable oils have also played a role as shown in the following graph.

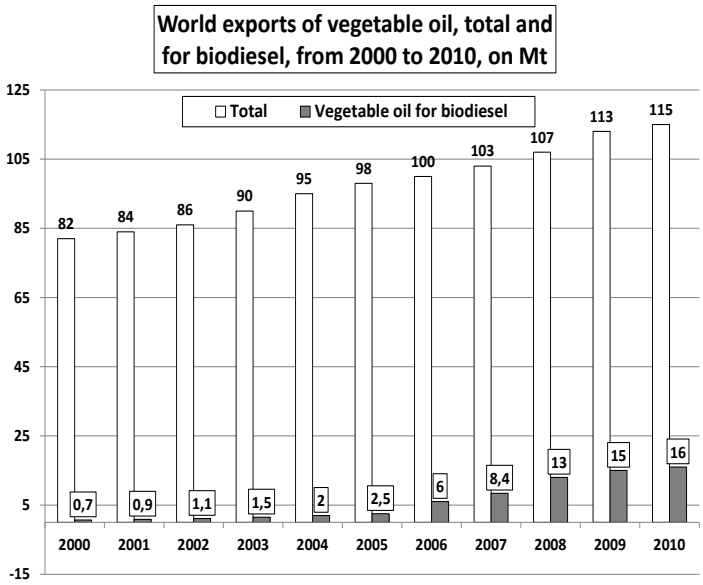
[11] www.federalreserve.gov/pubs/ifdp/2009/967/ifdp967.pdf



The US oilseed production decreased by 13.1 Mt from 2005-06 to 2007-08, of which 10.3 Mt for soybeans because of the lower acreage in favour of maize, which is reflected by a drop in the final stock of 10 Mt from 2006-07 to 2007-08. But we should not forget the impact of the expansion of biodiesel on the price of vegetable oils. The following two graphs show the surge in biodiesel production worldwide and in EU27 from 2000 to 2010, and the increasing share of world exports of vegetable oil for biodiesel[12].



[12] http://www.ecofys.com/files/files/ecofys_ufop_2012_internationalbiodieselmarkets.pdf



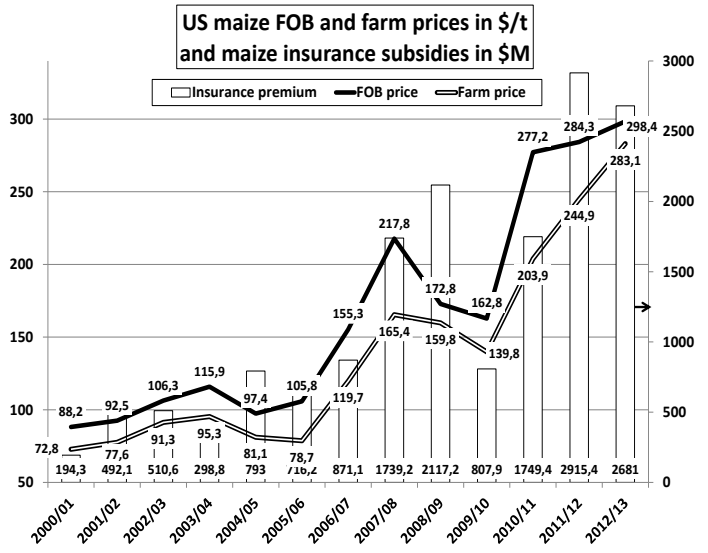
Moreover, the OECD-FAO outlook for the years 2012-21 anticipates that the share of global production of vegetable oils devoted to biodiesel would rise from 14% in 2012 to 16.7% in 2021 while the share of the EU27 production of vegetable oil processed into biodiesel would increase from 44.9% to 50.6%[13].

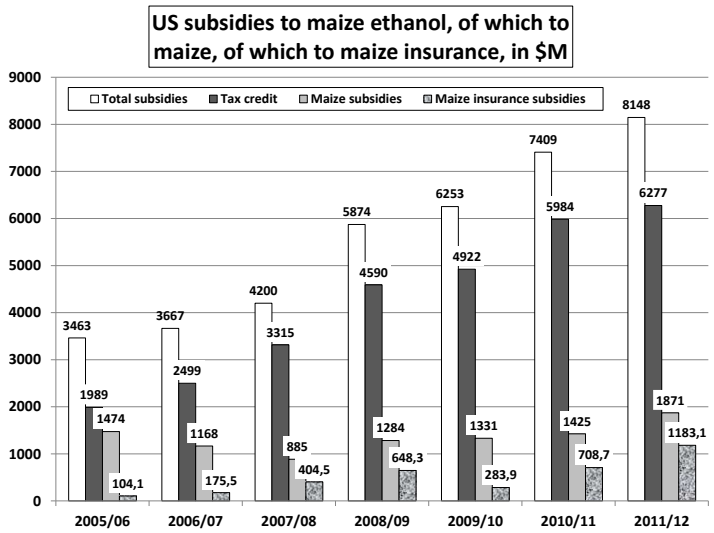
The essential role of subsidies to agrofuels

For the US Congressional Budget Office "*Although the credit is provided to blenders, most of it ultimately flows to producers of ethanol and to the farmers who grow the corn – in the form of higher prices received for their products*"[14], this tax credit (VEETC) being the main subsidy to ethanol. Maize subsidies were also decisive[15], including the fixed direct payments and those to insurance premiums, which vary in the same direction as market prices as shown in the following graph. The graph shows also the difference between the average farm price and the Gulf of Mexico FOB price (prices for 2012/13 are USDA estimates).

Soaring cereals prices in 2012, due to the severe drought, increased both subsidies to insurance premiums and to losses of insurance companies which are partly reimbursed by the government. The insurance subsidies to all products have reached $12.5 billion in 2012 after $8.8 billion in 2011, an average of $8.7 billion being expected from 2013 to 2023[16].

[13] http://stats.oecd.org/Index.aspx?DataSetCode=HIGH_AGLINK_2012
[14] http://cbo.gov/sites/default/files/cbofiles/ftpdocs/114xx/doc11477/07-14-biofuels.pdf
[15] Maize subsidies are calculated by the Environment Working Group but are undervalued because grants deductions insurance cover only the premiums and forget those insurance companies
[16] http://www.cbo.gov/sites/default/files/cbofiles/attachments/43893_USDAfarmPrograms.pdf.





Tariff and tax credit (VEETC) on maize ethanol were abolished in 2012 and the fixed direct aid should disappear when the Farm Bill would be adopted in late 2013. However, on the one hand, the Congress mandate on biofuels is maintained despite the pressures of farmers and conservationists and, on the other hand, the USDA expects the continued rise in the long-term maize yield to 11.4 t/ha in 2022 against an average of 8.5 t/ha from 2005 to 2012 (including 7 t only in 2012 due to the drought), with an average producer price of 181.5 $/t from 2013 to 2022, close to the 188.1 $/t from 2006-07 to 2012-13, well above the 139.5 $/t from 2000-01 to 2012-13 and a fortiori to 82.8 $/t from 2000-01 to 2005-06. And this high price will guarantee comfortable insurance subsidies. Based on a FAPRI study, the Congressional Research Service estimates that in the absence of the VEETC and of the Congress mandate, ethanol consumption would have been 32% lower and biodiesel consumption 38% lower as it received also a tax credit of $1 per gallon[17].

In fact there are 368 types of grants or tax reductions for ethanol in the US, of which 27 at the federal level and 341 at states level[18]. The states increased their aid since 2012, presumably to compensate for the loss of the VEETC and tariff. It is not surprising that the two States providing the largest support are Iowa and Illinois, the first and second producers of maize and maize ethanol, including a tax credit of 8 cents per gallon of pure ethanol and 16 cents for the sale of E85 (a mixture of 85% ethanol) in

[17] One gallon is worth 3.785 litres.
http://cbo.gov/sites/default/files/cbofiles/ftpdocs/114xx/doc11477/07-14-biofuels.pdf

[18] http://www.afdc.energy.gov/laws/matrix/tech

Iowa and a 20% reduction on the sales tax on ethanol in Illinois. Doug Koplow estimates that all subsidies to ethanol, including at State level, increased from $5.6 billion in 2006 to $8.8 billion in 2008 – well above the amounts of VEETC only shown in the graph above – by adding the income tax exemption for the VEETC which rose from $1.2 billion in 2006 to $1.9 billion. The author has added a price support represented by the Congressional mandate and tariffs on ethanol and rising from $1.4 billion in 2006 to $ 2.3 billion in 2008. But we do not take it into account, contrary to the prevailing view, embedded in OECD indicators, that sees tariffs as a subsidy from consumers to producers, because world prices should not be considered as the "true prices" on which all countries should align their domestic prices.

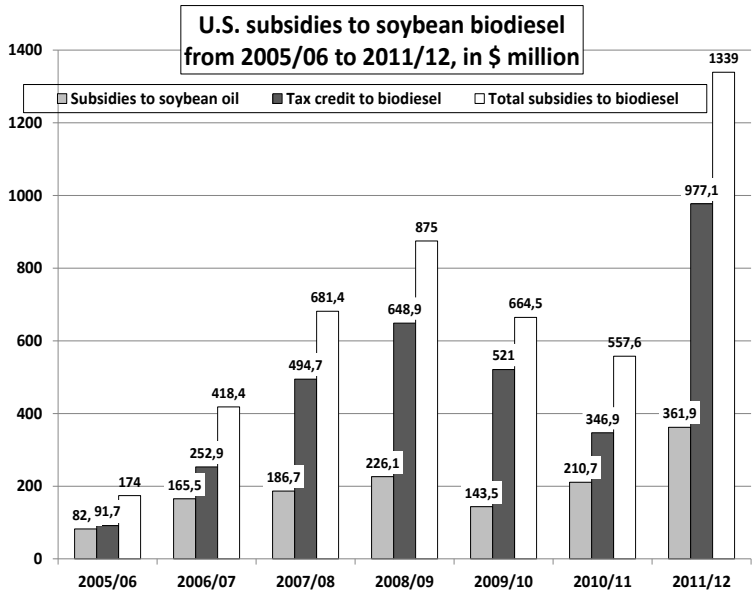
Congress has a goal for 2022 of 36 billion gallons of biofuels, with a maximum of 15 billion for ethanol from maize and 16 billion for ethanol from cellulosic material, that one far from being profitable and not yet available, despite large subsidies to prototypes for a long time. The tax credit for cellulosic ethanol is $1/gallon until the end of 2013 and the Congressional Research Service estimates that, if extended until 2022, then it would exceed $ 27 billion!

Furthermore the spikes in maize prices since 2006-07 can be seen as a huge subsidy to maize farmers, and indirectly to ethanol producers, since they are mainly due to ethanol.

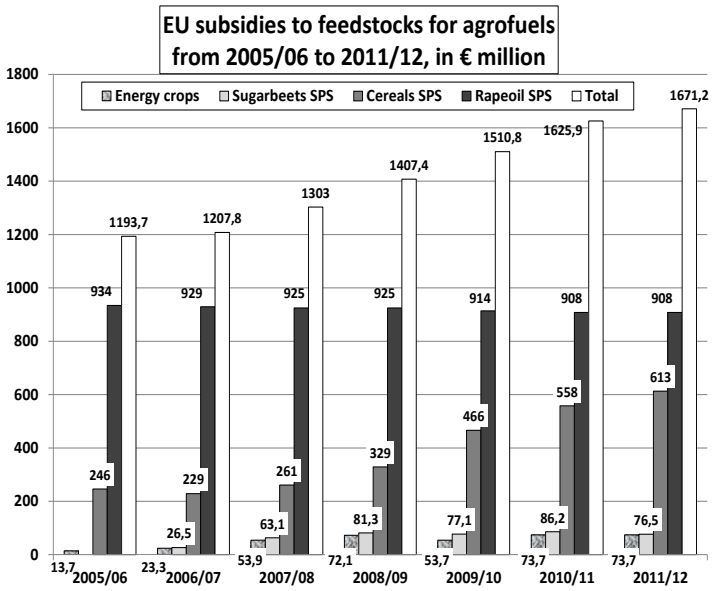
As for biodiesel subsidies, no less than 380 types of grants or tax reductions are in force, including 33 at federal level and 347 at States level. The most important is the tax credit (VBETC) to biodiesel distributors of $1.01/gallon – 26.4 cents per litre or $300/t –, making it competitive with diesel. Indeed, the average price of biodiesel has exceeded by 35% that of diesel from 2007 to 2011, in part by its 10% lower calorific value. Deleted in late 2011 the tax credit was restored in 2013 with retroactive effect for 2012. For example in March 2010 the tax credit has filled the difference between the price of diesel ($3.25/gallon) and that of pure biodiesel (B100, $2.22/gallon), and the additional tax credit of 0.25 cents of South Carolina has made it very profitable[19].

The following graph is limited to showing the subsidies to biodiesel processed from soybean oil – knowing that the tax credit has also benefitted to other raw materials, soybean oil having accounted for 50% of total subsidies on average from 2009-10 to 2011-12 – and the subsidies to soybean oil derived from the soybean subsidies identified by the Environment Working Group, knowing that the value of soybean oil has averaged 40% of the value of soybeans and that the percentage of soybean oil processed into biodiesel ranged from 7.6% in 2005/06 to 24.7% in 2011/12. The subsidies on insurance premiums to soybeans have averaged 64.7% of total soybean subsidies, of which 77.5% in 2011/12. The further extension of the tax credit of $1/gallon in 2013 would increase biodiesel production to 1.8 billion gallons as well as biodiesel subsidies[20].

[19] www.palmettocleanfuels.org/Publications/Don%20Nelson%203-10.pdf
[20] http://farmdocdaily.illinois.edu/2013/01/does-the-biodiesel-tax-credit-change.html



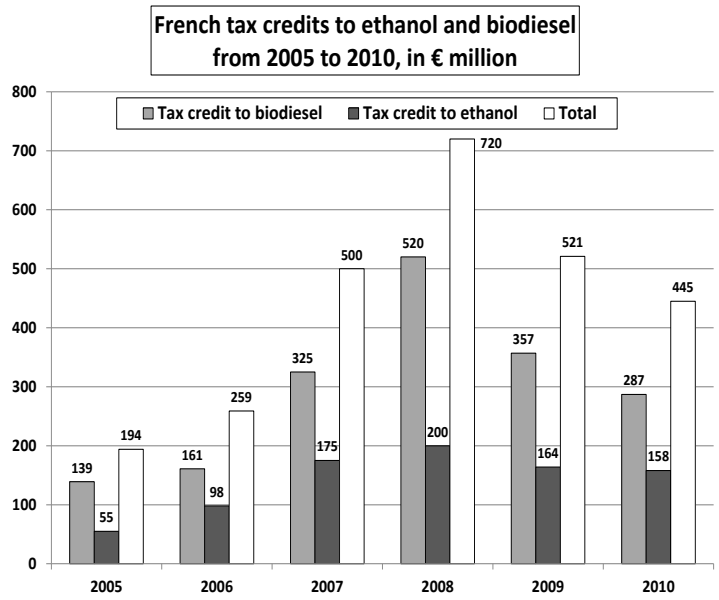
The EU is not outdone by subsidies, either to agricultural products or to the tax credit on biofuels. The first graph shows the main subsidies to agricultural feedstocks processed into ethanol and biodiesel. The most important are the allegedly decoupled direct payments, because hidden in the SPS (single payment scheme), for rapeseed oil, the main source of biodiesel, and for cereals, the main source of fuel ethanol. The SPS to the EU15 Member States are higher than the SAPS (single area payment scheme) to the EU12 new Member States for cereals and soybean oil but are the same but for sugar beet. The total SPS to sugar beets are much lower and about identical to the specific aid to energy crops. Although the SPS is normally fixed per hectare – except to sugar beets which increased from 2006 to 2010 with the implementation of the new common market organization for sugar – the total SPS to cereals increased with the larger area used for fuel ethanol, an area increase equated to that of production increase for ethanol. On the other hand the total SPS to rapeseed oil for biodiesel remained stable and their decline reflects only the "modulation", a levy transferred to rural development.



If the tax credits to processors of fuel ethanol and biodiesel – sold to retailers at relatively competitive prices with those of gasoline and diesel – are the main subsidies to EU agrofuels, the lack of consistency and data on the levels of tax credits among the 27 Member States deprives us of a synthesis at the EU27 level. We can only remark that the IISD (International Institute for Sustainable

Development in Geneva) has assessed the EU tax credits for 2006 at €2.960 billion, of which €829 million for fuel ethanol and €2.131 billion for biodiesel[21]. This corresponds to a subsidy per toe (tonne of oil equivalent) of €0.877 for ethanol and €0.419 for biodiesel and crude oil. IISD adds other subsidies not included here: €80 million for distillation of wine for fuel ethanol and €91 million for research and development.

However a report of the French Court of Auditors of January 2012 summarizes the tax credits on fuel ethanol and biodiesel in France from 2005 to 2010: an average of €440 million per year, of which €298 million to biodiesel and €142 million to fuel ethanol[22].



These reductions in the TIC (domestic consumption tax on energy products) have been decreasing since 2008, following the general trend in other Member States, including Germany. The Court also notes that, as the TIC and VAT are based on volumes and not on the calorific value of the fuel, biofuels have generated tax revenues that have greatly reduced the shortfall of the tax credit for the French treasury !

In order to understand how financial speculation amplified the spike in maize price and, as a result, that in the prices of the other cereals (except rice), we must explain first the specificity of agricultural markets and the working of commodities exchanges or futures markets.

[21] http://www.globalsubsidies.org/files/assets/Subsidies_to_biofuels_in_the_EU_final.pdf
[22] http://www.ccomptes.fr/Publications/Publications/La-politique-d-aide-aux-biocarburants

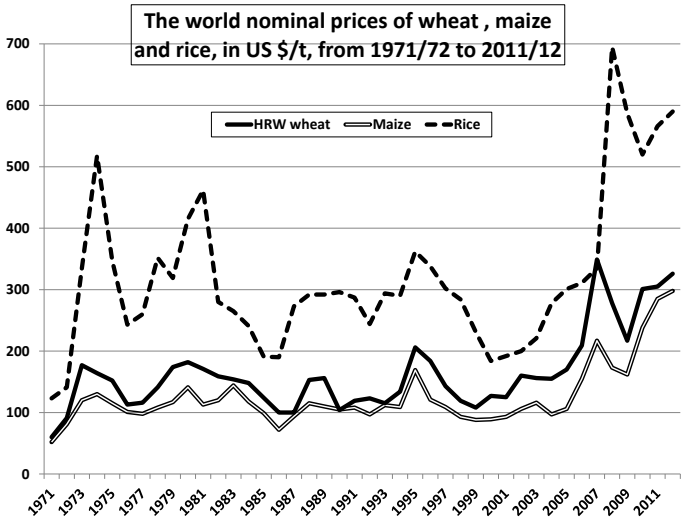
II – The role of financial speculation in the explosion of agricultural prices

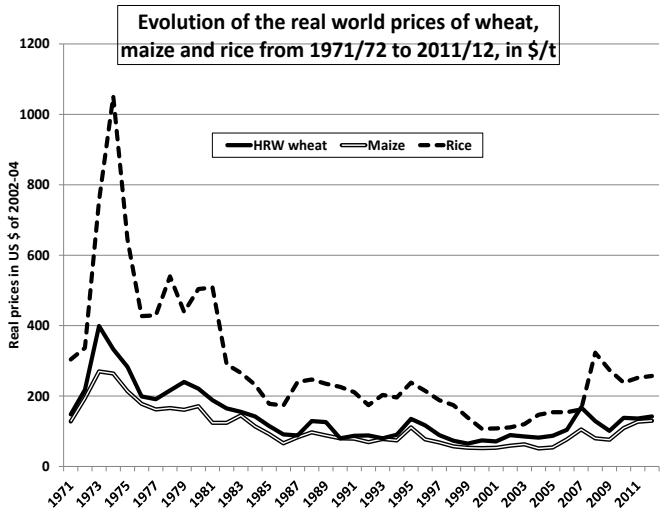
The specificity of agricultural markets

The markets of agricultural products are very specific and are not working like those of other products and services because they cannot self-regulate. It is also the case of financial markets but for other reasons as we will see later on. If the prices of some non-agricultural products fall because demand turned to other products, the factories close and capital is transferred to more profitable productions. But agricultural markets are characterized by a stable demand in the short run and a production fluctuating according to climate vagaries, which, without public regulation, leads to large fluctuations in agricultural prices and incomes and in consumers' prices. Consumers are not eating more in the short run when prices fall, even in poor countries with chronic under-nutrition as long as the purchasing power does not increase. And, if the prices rise, food consumption will be the last to be reduced given its vital necessity. Likewise farmers do not produce less when prices fall but they try to the contrary to produce more to offset the prices drop, through which they amplify the fall in the face of a stable demand in the short run. That is why all countries since the Pharaoes have run agricultural policies to regulate supply, namely at the import level and through a stockholding policy.

Agricultural prices are subject to two types of fluctuations, in the long and short runs. In the long run, the agricultural prices of basic food staples – cereals, oilseeds, meats and dairy products – were characterized up to recent years by a fall in real value (not taking inflation into account), for several reasons: i) a supply increasing more than demand in developed countries, since food consumption reaches a ceiling when per capita income increases while the growth rate of their population has slowed down and its ageing has lowered per capita consumption; ii) the slowing down of food consumption in developed countries has led in turn to an excess supply of tropical products (namely coffee, cocoa, tea) in developing countries (DCs), which were pushed by the World Bank and IMF to specialize in these types of export products on the pretext that basic food staples were cheaper in the developed countries; iii) and for a good reason, above all since the 1990's when, under the pressures of agro-food industries, the developed countries implemented policies of lower farm prices, offset by subsidies that they had defined in the WTO Agreement on Agriculture (AoA) of 1994 as being non trade distorting; d) the structural adjustment policies of the World Bank and IMF since the 1980's obliged the indebted DCs to lower their import protection.

If the first graph below seems to reflect a relative stagnation of nominal prices, particularly of maize and wheat, from 1971 to 2005, the second graph shows well that the real prices clearly followed a declining trend up to 2005 and that the higher prices since 2006 remain lower to those of the 1970's. These prices, recorded by FAO, are the US FOB Gulf of Mexico ones for wheat and maize and the Thai FOB price for rice.

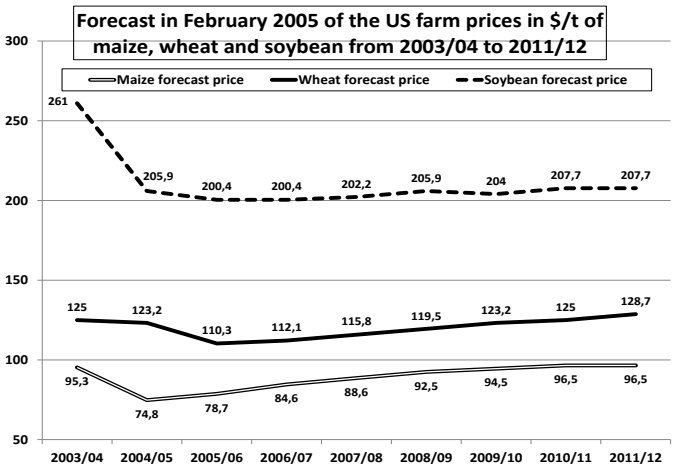


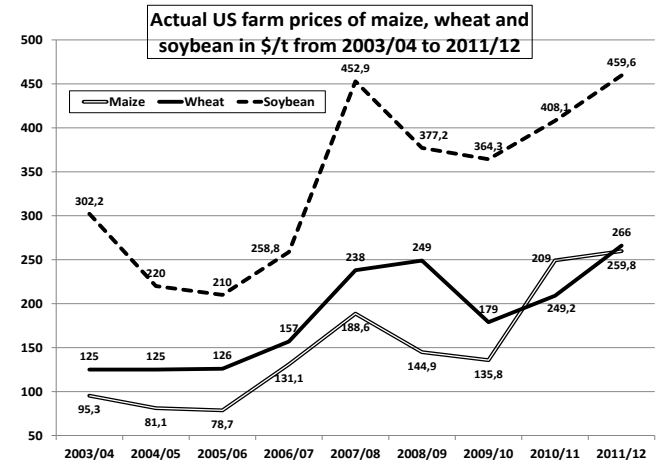


However, beyond these long run trends, unregulated agricultural prices, particularly world prices, have always been subject to fluctuations in the short run and this is the reason why futures markets have appeared and developed as deregulation was intensifying, particularly in the EU.

It is very interesting to underscore that, before the prices explosion starting in 2006-07, the FAO-OECD common report of 2005 on the agricultural perspectives for 2005-2014 wrote: "*While world prices for wheat and coarse grains are projected to remain fairly close to the relatively high levels recently seen, rice quotations are set to increase between 2004 and 2014 in nominal terms. In real terms, rice prices should remain relatively flat, while world wheat and maize prices are expected to continue their longer-term declining trend. Increasing wheat imports by China in particular could drive wheat prices up by some 8% during the first few marketing years of the projection period, but prices are expected to fall again thereafter, ending at around USD 162/t by 2014, 6% above their 2004 levels*". Which shows that the "market fundamentals" did not impose the prices explosion which started one year later for other reasons.

The following two graphs show also the gap between the USDA forecasts of February 2005 on the US farm prices of wheat, maize and soybean from 2003-04 to 2011-12 and the actual prices registered. This gap is clearly due to the explosion of the maize production processed into fuel ethanol, following the Energy Policy Act of August 2005 and the Energy Independence and Security Act of 2007, and the correlative collapse of cereals stocks.





Commodities exchanges

Agricultural products, as the other commodities, are traded either on physical markets or on derivatives markets. On physical markets one can enter either into spot deals, with immediate delivery of the commodity and cash payment of the price, or into forward contracts at a fixed price but with delivery postponed at an agreed date. Derivatives markets are either regulated, encompassing futures and options, or unregulated: over the counter (OTC) markets.

The first futures markets (FMs) appeared in the second half of the 19th century for commodities, of which agricultural products – the Chicago Board of Trade (CBOT) in 1848 to quote wheat, the Chicago Mercantile Exchange (CME) in 1874 to quote cattle – and the FMs of commodities were the only ones to exist up to the beginning of the 1970's.

FMs can only work when there is a significant volatility of prices (for commodities) or rates (interest rates or exchange rates), first because they were created to allow commercial operators (producers and traders) to stabilize the profitability of their business, but also because it is only when there is a minimal volatility that financial operators, the speculators, are interested to intervene. In France, FMs were forbidden in 1936 because they were inconsistent with the policy of agricultural prices support and that reason remained valid up to the CAP (common agricultural policy) reform of 1992.

The introduction of floating exchange rates after the inconvertibility of the US dollar in gold in 1971 increased considerably their volatility, whereas the runaway inflation after the oil shock of 1973 increased that of interest rates. FMs of financial instruments – *financial futures* – were then created in Chicago (1972), New-York (1974), London (1982), Paris (1986). The financial futures, or derivatives markets, encompass regulated FMs and over the counter (OTC) FMs. FMs contrast with spot markets

or physical markets where are negotiated the purchases and sales of commodities or financial contracts for immediate delivery and payment. Therefore derivatives operations derive from spot deals.

In France the Matif (the French international futures market), created in 1986, is specialized in futures and options on commodities and interest rates whereas the Monep (market of negotiable options, created in 1987) is specialized in futures and options on shares and indices. The merger in 2000 of the exchanges of Amsterdam, Brussels, Paris and Lisbon created Euronext, which bought the Liffe (the London FM) in 2002 then, in 2007, the merger of the New York Stock Exchange (Nyse) with Euronext-Liffe created Nyse-Euronext, which encompasses the FMs of commodities and financial futures. For commodities, Euronext-Liffe trades a large range of futures and options on cocoa, robusta coffee, white sugar, raw sugar, feed wheat, milling wheat, maize, barley, rapeseed, sunflower and potatoe. Transactions are not made on actual physical products but on an underlying asset to a futures contract describing the standardized conditions of the transaction: nature and quality of the product, quantity, month of quotation, modalities of delivery and payment, legal procedures in case of litigation.

In France the FMs on agricultural commodities were authorized only in 1993, as a consequence of the CAP (common agricultural policy) reform of 1992 which reduced considerably the instruments to regulate agricultural markets, with the reduction in minimal ("intervention") prices, hence generated a strong exposure of farmers to price risks. The first futures concerned plant products because it is more difficult to find standardized products for animal products, given large quality gaps linked to the variability of animal species. The *base* risk, linked to the quality gap between the traded product and the norms of the underlying contract, is much more limited for grains such as wheat, maize, soybean, rapeseed. The rapeseed future was the first to be launched in 1994 because oilseeds were the first to be affected by the reduction in intervention prices. The milling wheat followed in 1998, then the maize one in 1999. Bovine meat is difficult to standardize but pork futures were created on the Hanover exchange but the volume of traded contracts account for only 5% of German production. As for the future on skimmed milk powder launched in October 2010, up to now it has not be traded but experts think that it will be activated from mid-2015 on, when milk quotas will be eliminated, which is a clear confirmation that FMs are useless in markets with a good prices regulation.

The objective of a FM is to allow some operators to cover a risk of price variation for commodities and of rates variations of interest or exchange, and of quotation (shares, bonds) for financial instruments. That is what distinguishes a futures market from a cash forward market.

A FM is an institution permitting to trade rights on specific products – goods or financial products – available in the future. The seller transfers, at prefixed conditions – price, quantity, delivery date – a right on a given quantity that the buyer will be able to exercise at maturity date. The rights are materialized by contracts with highly standardized clauses, hence fungible between themselves: the futures. These contracts are registered by a financial body – a clearing house – which manages the FM and ensures the successful conclusion of the operation, substituting itself in the rights and commitments of contracting parties: the buyer is considered as having acquired its rights from the clearing house and the seller to have transferred its commitments to it. At maturity date, when the contract is closed – by the reverse operation of the initial contract in 98% to 99% of cases –, the clearing house ensures the clearing through the payment or collection of the gap between the buying and selling prices of the future. Besides, every day contracts holders must pay margin calls in order to cover their potentially losing positions given the clearing quotation. Conversely the clearing house pays to the operators the amount of their potentially winning position. The *base*, difference between the spot and futures prices, is a basic concept for operators: there is a strong correlation between both prices, interdependent when they go upward (bullish) or downward (bearish), the intervention of arbitragers contributing to bringing them together. On commodities FMs, the base differs in every place of the market as it takes into account the costs of storage and transport to deliver the good and the quality gap between the actual physical commodity and the standardized underlying commodity.

The FM allows a transfer of risks from "commercial" agents, the "hedgers" – who search only to cover

themselves against the risk of price variations between the beginning of the production cycle and its sale –, to other agents, the "speculators" or "financial" agents, who draw profits from these operations. Actually speculators are not always necessary on FMs because, facing farmers who sell futures (short position) to hedge against the fall of the spot price, there are generally processors, agri-food industries and feedstuffs producers, who buy futures (long position) as they fear a rise of spot prices. However financial speculators – banks generally which have liquidities to invest and know agricultural markets – are most often present and are market makers when there are not enough hedgers with opposite positions. For Lionel Porte, head officer of commodities futures, of which agricultural products, at Nyse-Euronext, "*The hedgers, or commercial operators hedging for an operation on the physical market, would represent 85% of operations on the Liffe of Nyse Euronext*"[23]. Besides, the traditional financial speculators are aware that they may have to close the contract on the physical market (by selling or buying the physical commodity), even if in 98 to 99% of cases the contract is close by the reverse operation on the FM for the same quantity and the same term. Thus, in the marketing year 2011-2012, actual physical deliveries of wheat for the milling wheat contract reached 4.583 contracts or 229,150 tonnes over 4 terms: November 2011, January, March and May 2012[24].

Sellers (buyers) on FMs hedge against a fall (rise) of prices and look for securing a floor (ceiling) price. For instance a cereal grower wants, before sowing, to secure a price which will ensure a fair income at harvest time. Most often, rather than intervening directly on the FM, he will sell a part of his next harvest at a forward price to his cooperative which, itself, will hedge through the sale of a futures contract on the FM: if the actual price falls the profit made by the sale on the FM will offset the loss incurred by the sale of the farmer's harvest on the spot market. The FM is therefore a simple means to secure a price whatever the market evolution, avoiding a loss if the price drops but renouncing also to a profit if the price rises.

Let's take the case of a cereal grower who wants to hedge at the sowing time his production of milling wheat on 50 ha for which he hopes a yield of 70 quintals, that is 350 tonnes. He subscribes a futures contract of milling wheat n° 2 on the Nyse-Euronext for which the underlying contract which is traded has the following characteristics: wheat of European origin with a specific weight of 76 kg/hl, at a moisture of 15%, with 4% of broken grains, 2% of germinated grains and 2% of impurities. The contract concerns a lot of 50 tonnes of wheat of an homogeneous quality, exempt from all duties and taxes, available in bulk. At the sowing time (year n) he sells 7 futures contracts to a term after harvest, for instance in November n + 1. The price of futures contracts fluctuates then around 200 €/t. He knows that the price on the physical spot market is generally lower by 10 €/t than the price on the FM – this gap is called the *base* – but 190 €/t allows him to cover his costs. After harvest, he sells his production on the spot market and closes his position on the FM by buying 7 contracts at the same maturity date. If the futures price has dropped to 150 €/t he sells his production at 140 €/t (spot price) and buys futures contracts at 150 €/t that he had sold at 200 €/t, pocketing the difference of 50 €/t. If, to the contrary, the futures price rose at 250 €, he sells his production at 240 €/t but has to buy 7 futures contracts at 250 €/t that he has sold at 200 €/t, enduring a loss of 50 €/t. Eventually, in either case, hedging has secured him a price of 190 €/t.

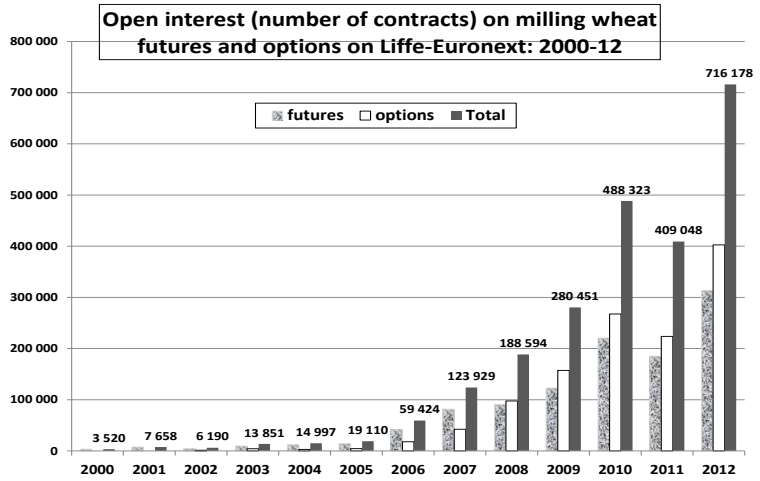
However a second possibility is opened to operators, that of *options* on the futures, whereby, at a cost – the option *premium* –, they may benefit of the evolution of the futures price without incurring any other cost than the loss of the premium. There are two types of options: a *call* (option to buy) yields a return when prices rise and the reverse for a *put* (option to sell). The buyer of a call expects a rise in the futures price (for instance of wheat) whereas the buyer of a put expects a drop of the futures price but limits his risk in case of a price rise. The seller of a call expects that the price will not increase before the option term. The seller of a put cashes immediately the premium and assumes that the wheat price will rise, or at least will stabilize up to the option term. Only the buyer of an option (call or put) may exercise or not the right attached to the option, the seller remaining dependent on the decisions of the option buyer, hence in a passive position. In return, it is always the seller who receives the premium

[23] http://www.agrapresse.fr/une-r-gulation-des-march-s-terme-d-ici-deux-trois-ans-art319451-26.htm

[24] http://www.depeche.fr/contrat-bl-euronext-le-couac-li-au-choix-qualitatif-de-s-nalia-perdure-art346267-23.html

paid by the option buyer at the contract transaction. These options are tradable on the FM and may be resold at any time up to their maturity date.

Options are very much used for wheat as shown on the following graph on the surge of milling wheat futures and even more of milling wheat options on the Liffe-Euronext (another name of the Nyse-Euronext) from 2000 to 2012, such as reflected by the opened positions ("open interest"), that is to say the exposure of futures and options positions not yet close.



Although the milling wheat futures and options were created in 1996, their expansion began only since 2006 – incidentally at the same time of the total decoupling of the agricultural direct payments – and the number of contracts has been multiplied by 12.1 up to 2012, of which by 7.6 for futures (from 41,387 to 313,571) and by 22 for options (from 18,037 to 402,607). As every milling wheat futures is of 50 tonnes and that every milling wheat option is also linked to a milling wheat futures, the opened positions on 13 December 2012 corresponded to 35.8 Mt, of which 15.7 Mt for futures and 20.1 Mt for options! His could seem considerable in relation to the French wheat production in 2012 (33 Mt for all wheats) as in the EU (138 Mt) but the milling wheat futures of Nyse-Euronext is used not only by all the EU countries but can also be used all world operators. Thus a major part of the Australian wheat is traded on the Chicago Board of Trade (CBOT). The opened positions of the Nyse-Euronext milling wheat futures and options represent about one third of those of the three US FM trading wheat futures and options: the CBOT (which quotes the Soft Red Winter, which has a lower protein content, too low for bread), the KCBT (Kansas City Board of Trade) quoting the Hard Red Winter, with a higher protein level, good for bread) and the MGE (Minneapolis Grain Exchange, quoting the Hard Red Spring, for all uses), three places where the contract is of 136 tonnes (5,000 bushels of 27.2 kg). On 11 December 2012 their open interest corresponded to 98.5 Mt, of which 87.4 Mt for futures and 11.1 Mt for options. However we should add that the volumes of futures and options on wheat (as an example) which are trade on the Nyse-Euronext and on the three US FMs, may represent less than the whole traded volume as each transaction may give rise to several futures or options, particularly in the case of exports where banks have to cover exchange rate risks.

For Jean-Loïc Bégué Turon, in charge of the derivatives markets at InVivo, which groups together 283 cooperatives, "*The options markets, given their development, play a decisive role on the short term quotations. It is through them that the financial operators came on the European market. They are in almost all transactions the counterparts of the agricultural world operators. Through the management of their portfolios, they often contribute to increase strongly volatility in a quotation session. The options traders are clearly part of the speculators family. However, more than a clear trend to play for a rise (to be bullish) or for a fall (to be bearish), they take positions on volatility*"[25]. But the explosion of wheat milling futures since the Autumn 2012 testifies the presence of pure speculators

[25] http://www.momagri.org/FR/temoignages/-Les-marches-a-terme-n-ont-pas-la-pretention-de-venir-remplacer-les-aides-de-l-Union-europeenne-_599.html

taking long positions (purchases) as the transactions on this contract jumped at €12.6 billion in October 2012 after €9.2 billion in September 2012 and €5 billion in October 2011.

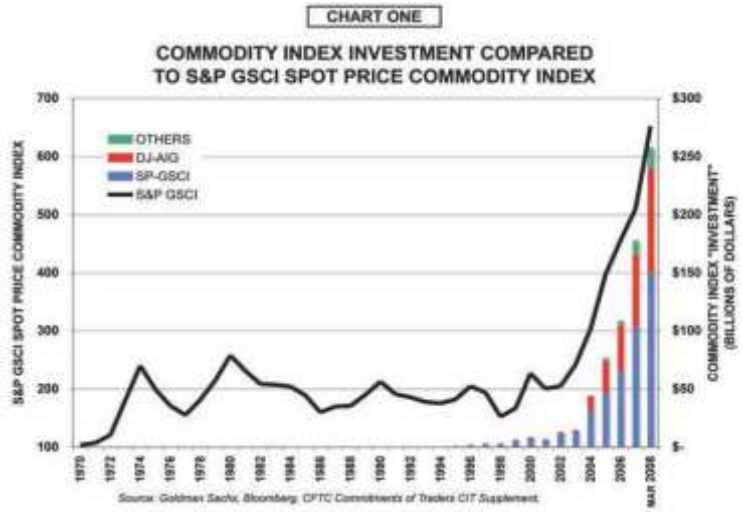
The good and bad speculators

We will borrow to Paul Jorion his definition of the "good" and "bad" speculator: "*We must oppose the factors constituting the price which are related to supply or demand and those related to "speculation" in the strict sense of the word, which is a simple price manipulation independent of the good… The reason why speculators are tolerated on futures markets is not the one which is always called up: their capacity to offer liquidity. It is actually much simpler: those markets are dominated and kept under control by financial institutions which speculate within their own institution on behalf of their customers or for their own account... The only liquidity which matters for a futures exchange of commodities is that of the good itself: the capacity to deliver or collect it*"[26]. Michael Masters confirms: "*There is a crucial distinction between Traditional Speculators and Index Speculators: Traditional Speculators provide liquidity by both buying and selling futures. Index Speculators buy futures and then roll their positions by buying calendar spreads. They never sell. Therefore, they consume liquidity and provide zero benefit to the futures markets… Index Speculators' trading strategies amount to virtual hoarding via the commodities futures markets. Institutional Investors are buying up essential items that exist in limited quantities for the sole purpose of reaping speculative profits… Five years ago, Index Speculators were a tiny fraction of the commodities futures markets. Today, in many commodities futures markets, they are the single largest force*"[27]. Michael Masters explains that index speculators encompass a broad category of institutional investors investing their dollars in few indices funds: "*What we are experiencing is a demand shock coming from a new category of participants in the commodities futures markets: Institutional Investors. Specifically, these are Corporate and Government Pension Funds, Sovereign Wealth Funds, University Endowments and other Institutional Investors. Collectively, these investors now account on average for a larger share of outstanding commodities futures contracts than any other market participant. These parties, who I call Index Speculators, allocate a portion of their portfolios to "investments" in the commodities futures market, and behave very differently from the traditional speculators that have always existed in this marketplace. I refer to them as "Index" Speculators because of their investing strategy: they distribute their allocation of dollars across the 25 key commodities futures according to the popular indices – the Standard & Poors - Goldman Sachs Commodity Index and the Dow Jones – AIG Commodity Index*".

Mike Masters underscores the decisive impact of index funds in the explosion of commodities prices, where the share of agricultural products is generally between 15% and 30%: "*Today, Index Speculators are pouring billions of dollars into the commodities futures markets, speculating that commodity prices will increase. Chart One shows Assets allocated to commodity index trading strategies have risen from $13 billion at the end of 2003 to $260 billion as of March 2008, 5 and the prices of the 25 commodities that compose these indices have risen by an average of 183% in those five years!*".

[26] Paul Jorion, *La crise. Des subprimes au séisme financier planétaire*, Fayard, 2008.

[27] Testimony of Michael W. Masters, Managing Member / Portfolio Manager, Masters Capital Management, LLC
before the Committee on Homeland Security and Governmental Affairs, United States Senate, May 20, 2008, http://www.hsgac.senate.gov//imo/media/doc/052008Masters.pdf?attempt=2



Olivier de Schutter, the Special Rapporteur of the United Nations on the right to food, explains this permanent rolling of the index speculators' positions: *The effect of the commodities index funds appears to have been to throw the commodities futures markets into "contango"*[28]*, producing a vicious circle of prices spiraling upward: the increased prices for futures initially led to small price increases on spot markets; sellers delayed sales in anticipation of more price increases; and buyers increased their purchases to put in stock for fear of even greater future price increases. As is demonstrated by Figure 2, when the spot prices increased, this fed an increase in futures prices, which attracted even more speculation, thus setting the whole process into motion once again. Indeed, the whole structure of commodity index speculation was premised upon contango*"[29].

The Index funds of commodities appeared in the early 1990s and are characterized by the multiplicity of commodities. The two largest – the Standard & Poors-Goldman Sachs Commodity Index and the Dow Jones-AIG Commodity Index are composed of 24 different commodities, with about 2/3 in energy products (oil essentially), 15-20% in minerals and metals and 15% in agricultural products. But the Rogers International Commodity Total Return Index includes 35% of agricultural products, the S&P Commodity Index Geometric Series includes almost 40% of them and the Reuters-Jefferies-CRB Index 41%. Contrary to hedge funds which are very speculative and with strategies moving fast in the short run but at the same time very risky, index funds concern the category of institutional investors with a long term investment strategy and reacting little to the short run volatility of prices of such or such commodity. Index funds have expanded fast after the profound crisis beginning in 2007 with the collapse of the housing market (the US subprimes crisis in 2007, then in several EU countries, of which Spain) and the stocks market. From then, in the context of the oil price spike despite the crisis because linked to a beginning peak oil, of the explosion of agricultural prices and of the race to land grabs, commodities appeared as one of the most profitable investment in the middle and long runs. Nevertheless the hedge funds enjoyed a higher profitability than index funds in 2008 as they withdrew rapidly from commodities in Summer when their prices began to fall whereas index funds reacted much less to the prices drop.

In July 2008 only the index speculators held long positions on wheat futures at the CBOT representing purchases of more than 27.2 Mt whereas all the commercial operators with short positions – farmers, cereal elevators and traders – proposed to sell futures for only 21.8 Mt. This gap between the demand of paper wheat and the offer of physical wheat could only lead to rising wheat prices not only of the futures market but also on the physical spot market.

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[28] The CFTC defines "contango" as being the "market situation in which prices in succeeding delivery months are progressively higher than in the nearest delivery month".

[29] Olivier de Schutter, *Food Commodities Speculation and Food Price Crises*, September 2010, http://www.srfood.org/images/stories/pdf/otherdocuments/20102309_briefing_note_02_en_ok.pdf

With the intrusion of index speculators, which disrupted the traditional running of the FMs, the base risk increased a lot: the gap between the Chicago wheat futures price and spot price increased on average from 13 cents per bushel (27.2 kg) in 2005 to 34 cents in 2006, 60 cents in 2007 and €1.53 in 2008, a multiplication by 12 in four years[30]. This gap between the futures and spot prices has forced the commercial operators to sell their wheat on the physical market at a price much lower than that they thought they had guaranteed by selling futures. In other words the FMs did not play any longer their role of price discovery equalizing supply and demand, the futures price being supposed to govern the spot price, which in fact it does. The result was a large increase in the cost of margin calls, so that many cereals growers and traders were unable to finance them.

Another significant impact in the US was a rise in the premiums of agricultural insurances – and of the subsidies which cover the most part – as they are based on the futures price.

The US was the first country to regulate the financial markets through the creation in 1933 of the Securities and Exchange Commission (SEC), guaranteeing the good running of markets and the protection of investors. The Securities Exchange Act of 1934 gave to the SEC the authority to regulate and supervise the New York Stock Exchange, the American Stock Exchange and the National Association of Securities Dealers, which manages the NASDAQ. The Glass-Steagall Act of 1933 forced the banks to separate their deposits and investments activities (the banking law did the same in France in 1944). And in 1936 the Commodity Exchange Act imposed limits to speculators' positions, ensuring the domination of *bona fide* physical hedgers. Thus the operators other than the buyers and sellers of physical quantities of cereals were forbidden to hold cereals futures of a value larger than for 280,000 tonnes. These laws limited also bank crises during the following decades, before their abrogation by the neo-liberal policies, with disastrous results.

Thus, under the pressure of the International Swaps and Derivatives Association, the Gramm-Leach-Bliley Act (also called the Financial Services Modernization Act) of 1999 suppressed the distinction, demanded by the Glass-Steagall Act, between deposit bank, investment bank and insurance company, and relaxed much the limits imposed on financial speculation by the Commodity Futures Trading Commission (CFTC, which succeeded in 1975 to the Commodity Exchange Commission created in 1936), whereas the Commodity Futures Modernization Act of 2000 deregulated the over-the-counter (OTC) derivatives, namely the securities-based swaps. It is only on July 21, 2010 that the vote of the Dodd-Frank Act (also named the Wall Street Reform and Consumer Protection Act) inaugurates a much stricter regulation of all financial institutions. The Dodd-Frank Act limits banks' investments in pension funds or venture capital (Volcker rule) and regulates strongly financial derivatives products, subjecting them to position limits, a checking by a clearing house with constraints on data to pass on and margin calls. However this act of 2,300 pages is far from being operational as 243 implementation rules must be enacted, that Wall Street (in brief all financial institutions) slams on the brakes. However the CFTC adopted the rule on position limits on October 18, 2011. But the operations on derivatives in over-the-counter markets continued to prosper without any monitoring.

The on-going debate turns around the refusal of Wall Street, Republicans in Congress but also of the EU Institutions and banks, to extend the implementation of the Dodd-Frank Act related to swaps to the subsidiaries of the US banks abroad. The EU Commissioner for the single market and services, Michel Barnier, the European Central Bank and the European Investment Bank have themselves protested, which is shocking given the close financial interrelations between the EU and US[31]. Yet the European Commission does not hesitate to tax heavily the US companies violating the European competition rules. Yet they are the swaps of the London subsidiary of the American International Group (AIG) which would have put it bankrupt without the $183 billion of the US taxpayers to save it. Now the globalization of financial markets requires that the US financial regulation, particularly on swaps

[30] http://www.feedstuffs.com/Media/MediaManager/WheatMarketSpeculation.pdf
[31] Michael Greenberger, *The extra-territorial provisions of the Dodd-Frank Act protects US taxpayers from worldwide bailouts*, 30 March 2012,
http://digitalcommons.law.umaryland.edu/cgi/viewcontent.cgi?article=2183&context=fac_pubs

linked to agricultural commodities, be extended not only to subsidiaries of its financial institutions abroad but also to the main other financial markets, beginning by the EU ones, which are slamming enormously on the brakes.

As long as the new texts of the Dodd-Frank Act were not applicable, the lack of limits in the positions taken by the index speculators, authorized by the CFTC since 2000 (conform the Gramm-Leach-Bliley Act of 1999), did not impose any constraint on swaps, contrary to what should have been applicable from December 31, 2011 when they should have been transparent, established under the control of a clearing house, with margin calls and limits to the positions taken, and with public disclosure of prices and transactions values. We are still far away as a September 2012 report of the Bank of International Settlements of Bale acknowledges that banks did not reduce the riskiness of their loans to the extent that they continued to increase their over-the-counter derivatives operations. Indeed, under the pressures of the 'Big fours' (also called TBTF, Too Big To Fail) – Goldman Sachs, JP Morgan Chase, Citibank and Bank of America, which were at the origin of 93% of all derivatives, including over-the-counter, and the largest beneficiaries of the $2,900 billion of the FED (Federal Reserve Bank, the US central bank)'s emergency loans –, a Washington judge declared on 28 September 2012 that the CFTC interpreted wrongly the Dodd-Franck Act and had not the freedom to fix the positions limits required by this Act without making first a very detailed cost-benefit analysis based on the over-the-counter market data, data which do not exist yet since 2000!

The most shocking is the G20 letter of 17 October 2012 to the CFTC Chairman – co-signed by the finances ministers of France, United-Kingdom and Japan and the EU Commissioner to the Single market and services – asking him to not implement the rules on the cross-border over-the-counter swaps before their harmonization with the rules that Japan and the EU Commission are finalizing, with the argument that "*Regulation across the G20 needs to be carefully implemented in a harmonised way that does not risk fragmenting vital global financial markets… At a time of highly fragile economic growth, we believe that it is critical to avoid taking steps that risk a withdrawal from global financial markets into inevitably less efficient regional or national markets*"[32]**.** This letter, of which 3 of the 4 signatories are from the EU, is all the more illogical that the EU Regulation on the over-the-counter derivatives products, central counterparties and trade repositories (labelled 'EMIR', European Market Infrastructure Regulation), adopted the 4 July 2012, came into force the 16 August 2012, "*which enables the European Union to deliver the G20 commitments on OTC derivatives agreed in Pittsburgh in September 2009*"[33]. Actually it was only the 19 December 2012 that the European Commission adopted nine regulatory and implementing technical standards to complement the obligations defined under the Regulation on OTC derivatives, central counterparties (CCPs) and trade.

At least the criticisms made to the CFTC about the insufficient differentiation of operators on the US commodities FM has led it to distinguish since 2010 four types of operators, which is not the case at Nyse-Euronext and it is not sure that this will happen with the new texts adopted in December 2012. Thus the CFTC publishes the distribution of futures and open interest according 4 types of operators: the commercials or hedgers (farmers, elevators, processors, traders, other users); the swap dealers[34] who use the FM to hedge the risks linked associated to their swaps transactions, the counterparties of

[32] http://www.fsa.go.jp/inter/etc/20121018-2/01.pdf
[33] http://ec.europa.eu/internal_market/financial-markets/derivatives/index_en.htm
[34] For Wikipedia, a commodity swap is an agreement whereby a floating (or market or spot) price based on an underlying commodity is traded for a fixed price over a specified period. In this swap, the user of a commodity would secure a maximum price and agree to pay a financial institution this fixed price. Then in return, the user would get payments based on the market price for the commodity involved. A swap dealer acts as the counterparty in a swap agreement for a fee called a spread. Swap dealers are the market makers for the swap market.

which being speculators or traditional commercial customers; the money managers who operate on the FM for their customers; the other reportables. Such a distinction is finer than that which prevailed up to 2008 as Mike Masters underscored in his hearing of 20 May 2008 at the US Senate: "*The CFTC has granted Wall Street banks an exemption from speculative position limits when these banks hedge over-the-counter swaps transactions. This has effectively opened a loophole for unlimited speculation. When Index Speculators enter into commodity index swaps, which 85-90% of them do, they face no speculative position limits. The really shocking thing about the Swaps Loophole is that Speculators of all stripes can use it to access the futures markets. So if a hedge fund wants a $500 million position in Wheat, which is way beyond position limits, they can enter into swap with a Wall Street bank and then the bank buys $500 million worth of Wheat futures*". The distinction henceforth made between these four types of participants allows to see that the behaviour of commercials is highly contrasted with that of the other categories: on 11 December 2012, 73.3% of net positions of the commercials on wheat futures and options in the three US FMs were short, concerning forward sales, whereas 70% of net positions of non-commercials, in other words of speculators – of which 83% of futures and options of the swaps dealers –, were long, anticipating and fostering higher quotations. On the other hand the commercials' open interest on wheat futures and options accounted for only 43.7% of the total open interest of operators on these three FMs, where those of speculators were largely dominant. The same situation was verified for the maize and soybean futures and options.

However it is not clear that the EU new texts adopted in December 2012 will permit to make a distinction as precise as in the US (even if that one is not totally accurate) between the categories of participants on the commodities FMs. Besides the distinction between the activities of price hedging and of speculation by companies producing and trading commodities are blurred when they sell their futures to speculators so that they are not making only *bona fide* hedging operations. As, on the other hand, the EU does not intend to limit the positions of *bona fide* commercials, they could still intervene as speculators, thus escaping to limits imposed to these ones.

All this confirms the Foodwatch's analysis: "*Up to the turn of the century… Most futures contracts were concluded by producers and processors who were interested in protecting themselves from price fluctuation. At the same time, speculators also traded on exchanges. They took buying (long) or selling (short) positions, depending on how they expected supply and demand to develop. This also ensured that an exchange was always a cash market, so that, for example, grain sellers still found buyers even when processors weren't buying, and vice versa… Overall, pure speculation made up only a small share of traded futures contracts… But this has fundamentally changed since deregulation began in 2000, followed by the entry of index investors and many hedge funds to the market… Until 1999, the share of contracts held at this exchange for purely speculative purposes was about 20 to 30 percent of the total volume. In contrast, a good two-thirds of contracts were held by those traditionally interested in safeguarding prices, the hedgers. But by 2006, this ratio had been completely reversed. Since then, up to 80 percent of positions are attributed to speculators, while contracts for traditional hedging account at most for only one-third of the total volume*"[35].

The agricultural prices volatility was largely amplified by financial speculation

The weight of financial lobbies explains that most official analyses on the causes of the agricultural prices explosion minimized the role of financial speculation, stressing that these causes originated simply in the supply and demand fundamentals.

A very extensive econometric analysis of September 2011 confirms the main responsibility of maize ethanol in the agricultural prices explosion, but also of the amplifying effect of financial speculation. The best is to quote large extracts: "*A parsimonious explanation that accounts for food price change dynamics over the past seven years can be based upon only two factors: speculation and corn to ethanol conversion. We can attribute the sharp peaks in 2007/2008 and 2010/2011 to speculation, and*

[35] Foodwatch, *The hunger-makers*, 2011 report
http://foodwatch.de/foodwatch/content/e6380/e45746/e47113/En_Rohstoff-Report_ger.pdf

the underlying upward trend to biofuels. The impact of changes in all other factors is small enough to be neglected in comparison to these effects"[36]. The authors explain how they reached such robust conclusions:

1) "*Previous analyses have been limited by an inability to directly model the role of speculators… Here we introduce a model relating speculation to prices and analyze its price dynamics. The model describes trend-following behavior and can directly manifest bubble and crash dynamics. In our model, when prices increase, trend following leads speculators to buy, contributing to further price increases. If prices decrease, the speculators sell, contributing to further price declines. Speculator trading is added to a dynamic model of supply and demand equilibrium*".

2) "*We further systematically consider other proposed factors affecting food prices. We provide quantitative evidence excluding all of them from playing a major role in recent price changes except corn to ethanol conversion. We show that, aside from the high price peaks, the underlying trends of increasing food prices match the increases in the rate of ethanol conversion. We construct a dominant supply shock model of the impact of ethanol conversion on prices, accurately matching underlying price trends and demonstrating that the supply and demand equilibrium prices would be relatively constant without the increase in corn to ethanol conversion*".

They show that climatic vagaries, namely the drought in Australia, cannot explain the explosion of wheat prices in 2007-08 as the world wheat production increased by 14.5 Mt in 2007-08. They demolish the so-called responsibility of China and India for their increased meat consumption as their needs in feedstuffs were satisfied essentially by their own feed production and as they remained net exporters of cereals. Let us complement the authors' arguments by underscoring that China and India enjoyed an average surplus of 4.9 Mt of cereals from 2006-07 to 2012-13 (USDA prospects on 11 December 2012), mainly owing to rice (average surplus of 4.8 Mt) with a small surplus of coarse grains (Indian maize offsetting rising Chinese deficits) and a tiny wheat deficit. More precisely, their surplus was of 10.7 Mt in 2007-08 – of which 5.3 Mt of wheat and coarse grains and 5.4 Mt of rice –, whereas for the second prices explosion their surplus was of 3,6 Mt in 2010-11, 5.4 Mt in 2011-12 and 8.6 Mt expected for 2012-13, mainly owing to Indian rice (surpluses of, respectively, 2.7 Mt, 9.2 Mt and 5.4 Mt).

Then the authors analyze the often put forward responsibility of oil prices on food prices, on three grounds: the similarity of oil prices peaks with those of food prices, the direct role of energy cost on food production and transport, and the possibility that the higher energy prices increased ethanol demand. These three arguments are demolished: the oil price peak occurred after the wheat price peak in 2008; the rise in energy costs, including in fertilizers, represented only 28.5% of the rise in wheat price; as for ethanol demand it has clearly increased but not at the same rhythm that oil price, this one being largely due to speculation.

3) "*We then combine the effects of speculators and corn to ethanol conversion into a single model with remarkably good quantitative agreement with the food price dynamics*".

And the authors conclude: "*Under current conditions, there is a tradeoff between ethanol production and the price of food for vulnerable populations… Thus, a very strong social and political effort is necessary to counter the deregulation of commodities and reverse the growth of ethanol production. A concern for the distress of vulnerable populations around the world requires actions either of policymakers or directly of the public and other social and economic institutions*".

Let us add that a recent report of the Federal Reserve Bank of Kansas City concludes: "*Limited growth in U.S. ethanol consumption and exports are a risk to future agricultural commodity demand and farm*

[36] Marco Lagi, Yavni Bar-Yam, Karla Z. Bertrand and Yaneer Bar-Yam, *The Food Crises: A quantitative model of food prices including speculators and ethanol conversion*, New England Complex Systems Institute, Cambridge, Massachussets, USA, September 21, 2011, http://necsi.edu/research/social/food_prices.pdf

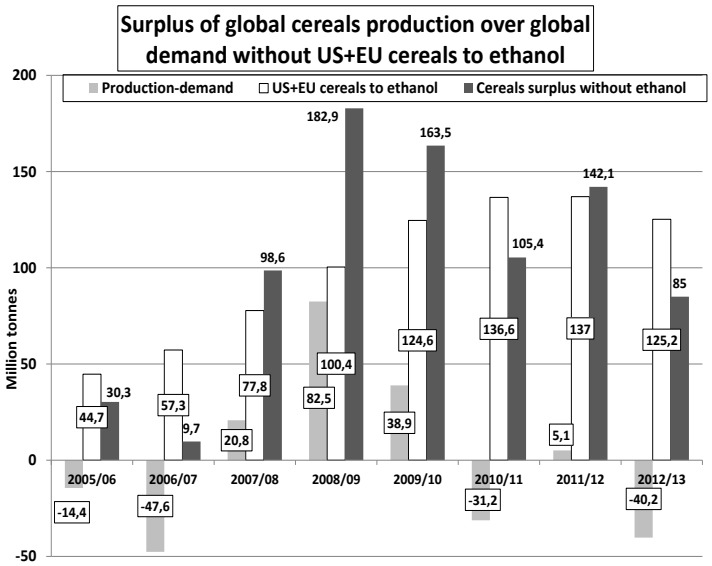
profits"[37].

The following table and graph show that, if the US and EU did not process in fuel ethanol a considerable amount of their cereals, global cereals production would have always been larger than global demand from 2005-06 to 2012-13, with an average surplus of 102.5 Mt. Hence cereals ending stocks would have been much larger and, far from exploding, world cereals prices would have collapsed. The substitution of areas in wheat and soybean by maize would not have occurred and wheat and soybean prices would not have soared. And the fall in feedstuffs prices would not have implied the rise in animal products prices (meats, eggs, dairy products).

Table 1 – Without US+EU ethanol, global cereals production would have exceeded global demand

Million tonnes	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13*	Average
1- Production	2017,2	2005,3	2121	2240,8	2241,5	2199,9	2314	2239,4	2172,6
2- Demand	2031,6	2052,9	2100,2	2158,3	2202,6	2231,1	2308,9	2279,6	2170,5
3- Production-demand	-14,4	-47,6	20,8	82,5	38,9	-31,2	5,1	-40,2	2,1
4- US maize/éthanol	40,7	53,8	77,4	94,2	116,6	127,5	127	114,3	93,9
5- EU cereals/éthanol	4	3,5	4	6,2	8	9,1	10	10,9	7
6-: 3 – (4 + 5)	30,3	9,7	102,2	182,9	163,5	105,4	142,1	85	103

Sources: USDA, WASDE (World Agricultural Supply and Demand Estimates) montly reports and European Commission; * prospects on 11 December 2012.



[37] http://www.kansascityfed.org/publicat/econrev/pdf/11q4HendersonGloyBoehlje.pdf

III – Speculation on agricultural lands, consequence of the food prices explosion

The explosion of cereals and oilseeds prices since 2006 fostered a strong land speculation, at national and international levels. Indeed it triggered an awareness in political elites of countries facing an increasing deficit in basic food staples – sovereign funds of Asian and Middle East countries – as in institutional investors – pension funds, hedge funds, funds specifically focused on agricultural products – and in agribusiness multinationals that, given the prospect of permanent high agricultural prices in the long run, it was urgent to invest in agricultural land in countries endowed with large agronomic potentialities and where it was still cheap. And this in order to increase production for exports of basic staple products and agrofuels. This land grabbing race prompted many debates, most often critical, but, even if the dogs barked, the caravan went on. However these large scale international land investments should not hide the more discrete land speculation but often more profound which is occurring at national level, in developed countries as in emerging countries. On the other hand the large land grabs by foreign capital should not hide those of nationals, some of whom are only frontmen to facilitate the land contracts of foreigners. The strong domestic and international criticisms to these land grabs led the international institutions to elaborate Voluntary Directives on the responsible governance of tenures and then, more largely, on responsible agricultural investments, two processes which have raised reservations of the civil society worldwide.

The national dimension of agricultural land speculation

In the US the value of agricultural land (and buildings) has represented an increasing share of farms assets: from 79% in 2000 to 85% in 2010. The per acre price of agricultural lands (and buildings) increased much more rapidly in the leading States for maize and ethanol production as Iowa, 1st producer of maize and ethanol (by 14.9%/year from 2005 to 2011, against by 9.1%/year from 2000 to 2004) and Illinois, 2nd producer of maize and ethanol (by 11.1%/year from 2005 to 2012 against by 3.2%/year from 2000 to 2004). At national level the increase was only of 7.4%/year from 2005 to 2012 against 5.3%/year from 2000 to 2004. Besides the price of agricultural land jumped in Iowa by 24% from 2011 to 2012, at 20,499 $/ha[38]. Let us stress that these two States were also the 1st and 2nd for per ha direct aids and to agricultural insurance in 2011: respectively 121 $/ha and 114.7 $/ha. Farmers have capitalized in agricultural land (and buildings) prices the increased revenues linked to the higher prices of cereals and oilseeds and correlatively the higher crop insurances subsidies. Besides the low interest rates facilitated this speculation on agricultural land. If farmers remained the main buyers, the share of non-farmers increased although precise figures are missing[39].

In the EU also the price of arable land increased, less rapidly however than in the US. In France the price of non-rented lands and meadows increased by 1.5%/year from 2002 (4,732 €/ha) to 2011 (5,427 €/ha), in constant euros of 2011, but the increase in current euros was of 6% from 2010 to 2011. Emmanuel Hyest, the President of the national Federation of Safer (a public body in charge of regulating the market of agricultural lands), pulls the alarm bell: "*We are not sure that there are not already so-called industrial capital, and even foreign capital, on the agricultural lands market. Given the significant rise in land prices in 2011, we may wonder about the motivations of these investors… The family agricultural model, so much defended in France, where the farmer is working on his own lands or on lands rented to another farmer, is threatened*"[40]. And this namely because "*Agricultural companies override individual farms. The former have financial needs more and more sizeable, which attracts new investors, the identity of which we are not always aware*" because the Safer are not informed of shares transfers, hence do not know the land transactions hidden in such transfers. Beyond

[38] http://www.radioiowa.com/2012/12/26/more-farmers-than-investors-buying-iowa-cropland/?utm_source=feedburner&utm_medium=twitter&utm_campaign=Feed%3A+RadioIowaNews+%28Radio+Iowa+News%29

[39] http://www.stltoday.com/business/local/spike-in-farmland-values-favors-large-operations-spooks-lenders/article_6c0451be-c6ac-543e-81a9-90272e6618ff.html

[40] http://www.terre-net.fr/actualite-agricole/politique-syndicalisme/article/la-hausse-des-prix-des-terres-attise-l-appetit-des-investisseurs-non-agricoles-205-80274.html

the purchase of agricultural lands by foreigners the real issue is that of land concentration in the hands of a more and more restricted number of farms. Thus the agricultural census of 2010 shows that 18.3% of farms larger than 100 ha concentrate 59% of the used agricultural area (UAA), the 4% of farms larger than 200 ha concentrating 22% of the UAA. On the other hand 46% of farms lower than 20 ha avail of only 4.7% of the UAA.

Eurostat data on agricultural land prices and rents in the EU27 Member States are incomplete and stop at 2009. The Netherlands is well ahead with 47,051 €/ha, followed by Belgium (27,190 €/ha in 2006) [41], Denmark (25,919 €/ha) and Luxembourg (20, 000 €/ha), but prices are lower in Southern EU – 10,465 €/ha in Spain and 5,130 €/ha in France – and much lower in the EU12 new Member States: 2,250 €/ha in the Czech Republic, 1,256 €/ha in Slovakia and 971 €/ha in Lithuania. However prices are soaring in Poland, at 5,033 €/ha in the third trimester 2012, 20% more than at the end of 2011. This can be explained by the desire of the Poles to ensure a better control of the land before purchases are accessible to all EU citizens in May 2016, which will drive up prices[42]. According to another source, investment in agricultural land of the United Kingdom in the last 15 years was more profitable than all other investments except housing. Its price rose 13% in 2010 and averaged 22,000 $/ha[43].

Land speculation by foreign investors

Reports on land grabs have increased in recent years but there is considerable uncertainty about the numbers, which can be explained by the lack of transparency of transactions usually carried out directly by the Heads of State or by the Regional Authorities or traditional leaders. The most reliable data are those of the Matrix of land transactions, a joint CIRAD (Centre de coopération Internationale en Recherche Agronomique pour le Développement), the Centre for Development and Environment (CDE) of the University of Bern, the International Land Coalition (ILC), GIGA (German Institute of Global and Area Studies, Hamburg) and GIZ (German Institute for International Cooperation). Its report published in April 2012 identified 1217 agricultural transactions in developing countries since 2000, on areas of at least 200 ha, for a total of 83.2 million hectares, which represents 1.7% of the world agricultural area. The data on 625 transactions from sources considered reliable covered 43.7 million ha. Of the 1217 transactions 407 concerning 26.2 million ha were signed and 300 have been implemented on 21 million ha[44]. Africa concentrates 754 transactions on 56.2 million ha (4.8% of African agricultural area), against 17.7 million ha in Asia and 7 million ha in Latin America. 11 countries account for 70% of global transactions, including 7 in Africa – Sudan, Ethiopia, Mozambique, Tanzania, Madagascar, Zambia and the Democratic Republic of Congo – and 3 in Asia: Philippines, Indonesia and Laos. 66% of transactions occurred in countries where hunger is prevalent at a high level, while about half of the area covered by the transactions is already cultivated by the local peasantry. The investment comes from three main sources – emerging countries (Brazil, South Africa, China, India, Malaysia, South Korea), Gulf countries, developed countries (mainly the US and EU) – and four types of investors: private (442 projects on 30.3 million ha), public enterprises (172 projects on 11.5 million ha), investment funds (32 projects on 3.3 million ha) and public-private partnerships (12 projects on 0.6 M ha). Food products represent 34% of investments, non-food products (cotton, rubber) 26% and "flex" crops – which can have a destination of food or biofuels (soybean, sugar cane, palm oil) – 40%. The vast majority of projects is export-oriented within which 43% of exports should be sent to the country of origin of investment.

Let us mention the main sources of information: International Guidelines: solutions to problems underlying wide-scale land deals?[45]; International Coalition for access to land (ILC)[46]; Land Matrix[47];

[41] http://appsso.eurostat.ec.europa.eu/nui/setupModifyTableLayout.do
[42] http://www.agrimoney.com/news/elevated-concern-over-polish-farmland-reforms--4003.html
[43] https://www.privatebank.citibank.com/announce/The_Wealth_Report_2011LowRes.pdf
[44] http://landportal.info/landmatrix/media/img/analytical-report.pdf
[45] http://www.agter.asso.fr/article904_en.html
[46] http://www.landcoalition.org/fr
[47] http://landportal.info/landmatrix

Grain[48]; Food Crisis and the global land grab[49]; FIAN[50]; Oakland Institute[51]; Stop Africa Land Grab[52]; La Via Campesina[53]; Friends of the Earth[54]; Oxfam[55]; the Special Rapporteur on the Right to Food, Olivier de Schutter[56]. We do not quote other official reports because often very ambiguous but they are referenced in the documents of associations.

We will limit ourselves to describe two projects in Mozambique but we start with a few flashes on developed countries and South America.

Within the EU the principles of free movement of capital (of which farmland) and goods prohibit to limit access of land for EU citizens and the new Member States of the EU12 had 7 years to limit such access (Poland imposed 12 years). Clearly the same restrictions in the new Member States apply also to non EU citizens. However Hungary decided on 17 December 2012 to prohibit the purchase of agricultural land by foreigners, in contradiction with the EU regulation that imposes a total freedom on 1 May 2014. Romania attracts foreign investors despite the fragmentation of holdings: at the end of 2011 they had acquired 800,000 ha, or 8.9% of the UAA[57] (utilized agricultural area), which is explained by the still low prices even though they are rising strongly: 1,972 €/ha in 2011 after 1,700 €/ha in 2010 and 927 €/ha in 2007[58]. However, the government contemplates to limit the purchase by foreigners.

Despite a large freedom of access, only 1.2% of the US UAA was appropriated by foreigners, mostly Canadians and Europeans, in late 2010[59].

In Argentina, where foreigners already own 7% of agricultural land and where land prices rose by 10% in 2010, a law in late 2011 has limited further purchases by foreigners at 1000 ha[60]. Uruguay, where 25% of agricultural land is already owned by foreigners, among whom Argentines are probably the majority, did not cap the appropriation of agricultural lands.

In Brazil, where land data are very limited, a study of September 2012 shows however that foreign investment in agricultural land covered 314,000 ha from 2008 to May 2010, to reach a total of 4.349 million ha[61]. According to the Central Bank of Brazil, foreign investment in agricultural land has reached $2.4 billion from 2002 to 2008. Even more than in France the real problem lies less in Brazil on lands held by foreigners than on the national concentration of agricultural land where, according to the 2006 agricultural census, 0.9% of farms, of at least 1,000 ha, held 43% of the UAA (147 million ha out of a total of 330 million ha) while 47% of farms, under 10 ha, held only 2.7% (7.8 million ha). And, beyond the stranglehold of foreign or large Brazilian owners of the land, an equally important issue is the control exercised by multinational agribusiness firms upstream and downstream agricultural production by Cargill, ADM, Bunge, Dreyfus, Monsanto, Syngenta ... not to mention the EU companies. In fact, the share of international capital in the area of grains agribusiness has jumped

[48] http://www.grain.org/
[49] http://www.farmlandgrab.org/
[50] http://www.fian.org/news/nouvelles-communiques-de-presse
[51] http://media.oaklandinstitute.org/land-deals-africa
[52] http://www.stopafricalandgrab.com/
[53] http://viacampesina.org/en/
[54] http://www.foei.org/fr/publications/pdfs/il-est-temps-de-proscrire-l2019accaparement-des-terres-pas-question-de-le-rendre-201cresponsable201d/view
[55] http://blogs.oxfam.org/fr/blogs/12-12-27-il-est-temps-que-la-banque-mondiale-montre-l%E2%80%99exemple-sur-la-question-des-terres
[56] http://www.srfood.org/
[57] http://www.agrapresse.fr/la-roumanie-veut-limiter-l-achat-de-terres-agricoles-par-des-trangers-art345272-22.html
[58] http://business-review.ro/business/agriculture/restricting-farmland-acquisition-by-foreigners-highly-unlikely/
[59] http://www.fsa.usda.gov/Internet/FSA_File/afida_thru_12312010.pdf
[60] http://seekingalpha.com/article/588421-protectionism-in-argentina-threatens-foreign-investment
[61] http://r1.ufrrj.br/geac/portal/wp-content/uploads/2012/10/sauer_leite.pdf

from 16% in 1995 to 57% in 2005, and the trend has continued with the soaring prices of cereals, soybean, sugar and ethanol since 2006. Already in 2009 the foreign capital controlled 22% of the sugar and ethanol companies, among which the French cooperative Tereos. Since August 2010, companies with more than 50% of foreign capital cannot buy more than 5000 hectares of land, but a counter-proposal to cancel the bill was approved by the House of Representatives in July 2012, which has not yet been promulgated[62]. On the other hand Brazilian capital controls 15% of the land of neighbouring Paraguay.

Although Mozambique has a great agricultural potential, it is ranked 184th out of 187 countries in the Human Development Index of the United Nations in 2011 (only Burundi, Niger and the Democratic Republic of Congo are in worst places), 60% of citizens living below the poverty line of $1.25 a day and 38% being chronically under-nourished. ProSavana is a huge project signed on 17 May 2009 between the governments of Brazil, Japan and Mozambique, which could extend on 14 million ha in the Nacala Corridor in North Mozambique, with a long term lease of $1/ha/year. An extension of the cooperation between Brazil and Japan in the 1980s and 1990s for the agricultural development of Cerrado (Prodecer program), notably on soybeans, in ProSavana Brazil will be responsible for the development of land by mobilizing its broad experience of agribusiness farms in the savannah agriculture of the Cerrado (Agricola Agro JV) while Japan will be responsible for building the commercial, rail and port infrastructure (in Nacala) and find opportunities to export products (soybeans, corn , cotton, sugar cane), mainly to Asia (not only Japan but also China and the Middle East).

Carlos Ernesto Augustin, President of the Association of Cotton Producers of Mato Grosso, told the newspaper Folha de São Paulo that "*Mozambique is the Mato Grosso in the middle of Africa, with free land, without environmental constraints and with cheaper freight cost to China*". In July 2012 Brazil and Japan launched the Nacala fund with $2 billion available from the end of 2012 to promote the production and export of agricultural products, mainly soybeans, and processing companies. Meanwhile preparatory work has been realized, including soil tests by Embrapa (Institute of Agricultural Research of Brazil). In the first phase 700,000 ha will be cultivated in the province of Nampula, where are located the port and airport of Nacala. However the biggest problem to solve is to have the agreement of the rural communities who are particularly opposed to this huge project, especially after the past experience of the expropriation, from November 2009 to April 2010, of 23,780 ha cultivated by 5,000 people in the mineral project of the Moatize Valley led by the Brazilian company Vale, these people having been relocated on much less fertile land and without the necessary infrastructure. But the government propaganda tries to silence opposition by luring the population with all the benefits that the project will bring in terms of jobs and food security. The huge difference between the Brazilian Cerrado and Northern Mozambique is that, unlike the Cerrado which was relatively under-populated (and only by native Indians), millions of small farmers occupy all the land of Northern Mozambique in the context of an extensive agriculture with long fallows.

On the Brazilian side it is Roberto Rodriguez who, as President GV Agro, a subsidiary of Brazil's Fundação Getulio Vargas, coordinates Brazilian investors. He was the former Minister of agriculture, and actually in charge of large agribusiness farms, different from the Minister of Rural Development in charge of small farmers and agrarian reform programmes. According to his collaborator of GV Agro, Charles Hefner, "*ProSavana only targets abandoned areas, where agriculture is not practiced ... Mozambique has an extraordinary amount of land available for agriculture ... There are enough space to implement mega projects of 30 to 40,000 ha without causing major social impact*"[63]. But for Jacinto Mafalacusser, a researcher at the Institute of Agricultural Research of Mozambique, "*It is not true that there are abandoned lands in the Nacala Corridor*". Clearly "*The farmers in the region are of the same opinion. There is no place in the region for large-scale farms*". On October 11, 2012, local officials of the National Farmers Union (UNAC) met in the city of Nampula to discuss ProSavana. In the closing

[62] http://www.cornell-landproject.org/download/landgrab2012papers/Clements_Fernandes.pdf
[63] http://www.farmlandgrab.org/post/view/21364

statement of the meeting, local UNAC officials "*note with great concern that the ProSavana requires millions of hectares of land along the Nacala Corridor, while the local reality shows the unavailability of these tracts of land, since they are used by farmers using the fallow technique*". And they condemn "*the massive influx of Brazilian farmers of the agribusiness sector, converting the Mozambican peasants in their employees and agricultural workers*".

The Tereos cooperative, which produces 40% of the French sugar, distributed in February 2013 to each of its 12,000 beet growers members €9,167 in prices supplements, interest on shares and dividends, among which dividends from its subsidiaries Guarani (third Brazilian producer of sugar and ethanol) and Sena (sugar) in Mozambique. Sena is a good example, although punctual, of land grabbing in Mozambique. Tereos International, which controls 75% of Sena capital, has received a government lease on 98,000 hectares for 50 years, renewable, with possible extension on 15,000 hectares. According to Tereos, producing sugar and eventually ethanol (less profitable than sugar up to now) in Mozambique has three advantages: land belongs to the State (which does not care of traditional land rights), there are large tax exemptions (80% reduction of the income tax and total tax exemption on dividends) and guaranteed access tariff free and quota free to the EU market, under the Decision "Everything but arms" of 2001 for least developed countries (LDCs). According to the World Bank, the investment in the sugar-ethanol sector in Mozambique would value land price at $9,800 per hectare, while it is leased by the State at $0.60 per year over 50 years. This valuation implies a rate of return of 21.4% since $0.60 invested at this rate would yield $9,800 after 50 years. It is this rate of return which is expected by leasing land at $0.60 per hectare.

In September 2011 82% of the 26,657 employees of Tereos International were working in Brazil and Mozambique. Tereos annual report for 2008-09 underscored the "cooperative spirit" sustaining it: "*Since its inception, Tereos draws from its cooperative origins a specific approach of its development ... Tereos ... started in the 1990s to diversify by extending its field of activities in new areas ... (European Union, Brazil, Africa, Indian Ocean)... as subsidiaries of its hard core cooperative. This successful diversification is a response to the globalization of markets and to the increase the critical size of customers and competitors... Tereos' historical activities, its international expansion and its diversification continue in accordance with the cooperative values – transparency, solidarity and equity – but with a modern and forward-looking vision. Tereos builds itself owing to its cooperators partners, but also thanks to its 13,500 employees who share a well understood mutual interest, rooted in different territories, between the valuation of agricultural resources and the necessary know-how to reach their common objective*"[64].

However it is doubtful that Sena's permanent and seasonal workers, who were regularly induced to go on strike, "*share a well understood mutual interests*" with Tereos' sugarbeet cooperators. In early July 2008, 7000 of them blamed the company of not paying the working days corresponding to public holidays and of failing to provide boots and protective equipment in accordance with the law so that the regional governor had to intervene to stop the conflict. On 8 August 2009, 3000 seasonal workers stopped four days and burned 150 hectares of sugarcane to protest against low salaries and the lack of protective equipment already claimed the preceding year. On 18 September 2009, as the company had not fulfilled its promise to raise the salaries, strikers burned an ambulance and six were injured by the police. The Minister of Labour declared the strike illegal on the grounds that the workers did not submit first their claims to the plant manager. But we should know that the Mozambican government holds 12% of Sena's shares. The situation worsened in 2010 when the Brazilian managers replaced Mauritians: transportation premiums were stopped so that some workers have to walk 10 km and their salary is reduced if they arrived late at the factory; beverage distribution was also stopped and wage increases were discontinued for Mozambicans. Yet the minimum wage of sugar workers was of €48.4 in 2011 and the seasonal cane cutters work at most eight months a year.

And no one knows the extent to which the alarm raised by UNICEF on 13 June 2012 on child labor in Mozambique applies also to Sena, the main of Mozambique's four sugar factories: "*Statistics show*

[64] http://ligaris.dokineo.eu/Tereos

that approximately 15% of the one million children who work in Mozambique suffer injuries and resulting injuries, because they carry heavy loads or use machetes, such as for cutting sugar cane"[65]. Yet Sena's gross operating surplus was of $25.4 million in 2011-12 after 5.9 million in 2010-11 and a deficit of €5.9 million in 2009-10 due to drought. For its part the population of Marromeu, where the factory is located, complains of being deprived of drinking water because the groundwater is polluted by pesticides and chemical fertilizers leached from the irrigated cane plantations and factory's effluents. The worst is yet to come as Tereos will raise the irrigated area from 7000 ha in 2011 to 10,000 ha in 2014 and 30 000 hectares in the future, to mitigate erratic rainfalls. To be forgiven of these behaviours, the Sena Company cultivates its communication: it offered in January 2012 to the city of Marromeu a building to accommodate 120 students, it funded the renovation of the local radio building, and hosted 16 June 2012 a children's day for those of the staff and in the city's orphanages.

Voluntary Guidelines on the Responsible Governance of Tenure of Land

"*Principles for Responsible Agricultural Investment that respect human rights, livelihoods and resources*" (RAI) were promoted since January 2010 by the World Bank, the International Fund for Agricultural Development (IFAD), the United Nations Conference on Trade and Development (UNCTAD) and the Food and Agricultural Organisation of the United Nations (FAO), but they have been criticized in April 2010 by La Via Campesina, FIAN International, the Land Research and Action Network (LRAN), GRAIN and other organizations which considered that the Principles were "*a measure to legitimize something absolutely unacceptable: the appropriation of farmland of rural population for years by (foreign and domestic) companies*"[66]. In particular, the first of the seven principles – "*Existing rights to land and natural resources are recognized and respected*" – "*is more concerned about ensuring a smooth transferability of existing land rights to investors, than it is about keeping the lands of rural people and communities in their hands now and in the future. Second, the concept of "existing land rights" does not cover the rights of landless people to (re)gain effective access to land. The fact that the best farmlands are being taken over by private investors precludes the possibility of either landless or land-scarce people to obtain or substantially improve their "existing" land rights. This is a fundamental contradiction in the RAI initiative*". Peasant Organizations (POs) and NGOs at the World Social Forum of Dakar in February 2011 rejected these principles in the "*Dakar Appeal against the land grab*"[67].

In parallel "*Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food*"[68] have been developed in stages within the Committee on World Food Security (CFS) and were approved on 11 May 2012. The CFS was established in 1974 as an intergovernmental institution, then radically reformed in 2009 when it became the highest international body on food security issues, where CSOs – Civil society organizations, which include NGO campaigning for global food security alongside organizations of farmers, small fishermen and indigenous peoples, grouped together within the Civil Society Mechanism (CSM) – have raised from the sole status of observers to that of CFS members and may intervene in discussions on par with international institutions – FAO, IFAD, WFP, World Bank, IMF, regional development banks, UNCTAD, WTO Task Force on high-level United Nations on Global food Security, UN Special Rapporteur on the right to food –, private sector associations and governments, governments which are the only ones with voting rights.

These "Voluntary Guidelines on the Responsible Governance of Tenure of Land" acknowledge that "*People can be condemned to a life of hunger and poverty if they lose their tenure rights to their homes, land, fisheries and forests and their livelihoods because of corrupt tenure practices or if implementing agencies fail to protect their tenure rights*". According to the guidelines, "*Land*

[65] http://www.africa21digital.com/comportamentos/ver/20000285-unicef-considera-qgrave-e-alarmanteq-o-trabalho-infantil-em-mocambique
[66] http://viacampesina.org/en/images/stories/pdf/whyweopposerai.pdf
[67] http://www.peuples-solidaires.org/appel-de-dakar-contre-les-accaparements-de-terres/
[68] http://www.fao.org/docrep/016/i2801f/i2801f.pdf

governance must: • Recognize and respect all legitimate land rights and their holders, • Safeguard legitimate tenure rights against threats and infringements, • Promote and facilitate the enjoyment of legitimate tenure rights, • Provide access to justice to deal with infringements of legitimate tenure rights, • Prevent tenure disputes, violent conflicts and corruption".

However, after recognizing that "*These Guidelines are global in scope. Taking into consideration the national context, they may be used by all countries and regions at all stages of economic development and for the governance of all forms of tenure, including public, private, communal, collective, indigenous and customary*", the text adds: "*These Guidelines should be interpreted and applied in accordance with national legal systems and their institutions... In accordance with the voluntary nature of these Guidelines, States have the responsibility for their implementation, monitoring and evaluation*". This is why "*If the NGOs welcome the arrival of the first l'eference document"in the matter, they are not fooled as to its application. The text is not binding and its implementation is left to the free will of the concerned countries' authorities. Yet these are unfortunately not always blameless*"[69]. And the Final Declaration of the International Forum of Dakar from 20 to 22 November 2012 on "*Family farms, main purveyors of food and wealth in West Africa*" declared: "*We reject and condemn the process of grabbing our natural resources (land, water, forests ...) by other actors followers of agribusiness that hinder the development of the potential of family farms and compromise the future of next generations*"[70].

Let us add that these holdups on the traditionally appropriated land of peasant communities are a sacrilege because their relationship with the land goes well beyond a simple livelihood because it is a sacred bond with the ancestors and the generations to come. Echoing the concept of Terra Madre of Latin American peasant communities, for a Nigerian customary chief "*The land belongs to a large family, some of whom are living, many are dead and many more are yet to be born*"[71], a definition similar to that attributed to the Indian Chief Seattle in a speech addressed in 1854 to the US President: "*The earth does not belong to man; man belongs to the earth... Teach your children that we have taught our children that the earth is our mother... You must teach your children that the ground beneath their feet is the ashes of our grandfathers*"[72]. For the anthropologist Karl Polanyi, "*What we call land is an element of nature inextricably interwoven with human institutions. Isolating and making it a market was perhaps the strangest of all the undertakings of our ancestors... It ensures human life stability, it is part of his house, it is the condition of his physical security, it is landscape and seasons*"[73].

The UN Special Rapporteur on the Right to Food, Olivier de Schutter, launched on 30 October 2012 a new bottle into the sea with a report on "*Fisheries and the Right to Food*", stressing that "*grabbing seas is as serious a threat as land grabbing*"[74].

Responsible agricultural investments and promotion of "modern farms"

Shortly after the start of the process that led to the previous Voluntary Guidelines on the Responsible Governance of Tenure of Land, further discussions were initiated by the CFS in October 2010 on "*Principles for Responsible Agricultural Investments*" which should end up also in 2014 in specific Voluntary guidelines after a two years consultation. According to FAO the annual net investment

[69] http://www.sosfaim.org/developpement-rural-FR-sosfaim-actu-sosfaim_fao_terres_foncier.htm
[70] http://www.cncr.org/IMG/pdf/Declaration_Finale_Forum_CNCR_Dakar_Novembre_2012.pdf
[71] Kouassigan, G.-A., 1966, *L'homme et la terre. Droits fonciers coutumiers et droit de propriété en Afrique occidentale*, ORSTOM, http://horizon.documentation.ird.fr/exl-doc/pleins_textes/divers11-03/07147.pdf
[72] http://www.kyphilom.com/www/seattle.html
[73] Michel Merlet, *Politiques foncières et réformes agraires*, IRAM, 2002, http://www.agter.asso.fr/IMG/pdf/Cahier_Foncier_FR_complet.pdf
[74] http://www.srfood.org/index.php/fr/component/content/article/1-latest-news/2543-ocean-grabbing-as-serious-a-threat-as-land-grabbing-un-food-expert

needed to increase agricultural production in developing countries and to meet demand in 2050 is $83 billion, 50% more per year than at present. Investments, public and private, foreign and domestic, small, medium and large scale, should concern all stages of the food chain and all kinds of farms.

One might think that the emerging debate on these new principles duplicates largely the recently adopted Guidelines on land and tries to empty their pejorative aspects (concept of land-grabbing) by giving them a positive ("win-win") aspect. Indeed the Voluntary Guidelines on the Responsible Governance of Tenure of Land devote already a section of Chapter 4 to responsible investment: "*Responsible governance of tenure of land, fisheries and forests encourages tenure right holders to make responsible investments in these resources, increasing sustainable agricultural production and generating higher incomes*". In reality the forces behind this new lens are those of the international agri-business that wants to support the idea that small family farms dominating agriculture in developing countries, especially in SSA, are unable to satisfy the basic foodstuffs needs, which was illustrated by their growing deficit, and will be even less able to do it tomorrow given the high population growth, the SSA population being expected to increase from 856 million in 2010 to 1.960 billion in 2050.

Indeed we acknowledged in recent years an explosion of international institutions wanting to lavish all their care to African agriculture, defining the strategy and detailed "road map" that must be followed to achieve these objectives. All these institutions claim to support the CAADP (Comprehensive Africa Agriculture Development Programme) of NEPAD (New Partnership for Africa's Development) of the African Union, which is a purely technocratic "top down" strategy having made a total impasse on the participation of civil society, beginning with farmers' organizations, and having handed over the definition of this strategy to Western and African "experts" well trained in neo-liberal economics. NEPAD has been defined as "*the internalization by African elites of an inconsequential diary devised by the Bretton Woods institutions and the UN*"[75].

Among these institutions there are in particular IFPRI (the US International Food Policy Research Institute) which oversees ReSAKSS (Regional Strategic Analysis and Knowledge Support System), a pan-African network established to facilitate the evaluation process associated to CAADP. IFPRI works to elaborate the "compacts", which are regional and national action plans "*between governments, their regional economic community, the private sector, civil society and development partners, and subsequent investment programmes and policy reform*"[76] to carry out their agricultural investments plans. The 15 ECOWAS Member States have adopted national compacts, which are ultimately aimed at donors, grouped together in the Global Donor Platform for Rural Development[77]. If the ECOWAS regional compact displays its goal of food sovereignty[78], it is doubtful that this goal would remain consistent with the increased involvement of international capital, public and private, with or without large land acquisitions, as it will demand to export freely its production and to abide by the WTO rules. The still ongoing pressures of the IMF and World Bank on SSA countries to open their markets would continue to be verified.

Indeed, although "*The overall goal of CAADP is to eliminate hunger and reduce poverty through agriculture*" in its Pillar II, Area A, on "market access" it prioritizes the international competitiveness of African farms rather than the continent's food security: "*The target of the CAADP agenda in this area should be to enable RECs (Regional Economic Communities) and their member countries to… (2) exploit demand in the emerging economies of Asia and Latin America for food, raw materials, and processed goods; and (3) develop strategies to reap potential gains related to higher world market prices and the emerging biofuels sector… The agenda should also seek to… push for a reduction in global protectionism… Work toward establishing trade agreements with China, India, and other*

[75] http://www.memoireonline.com/06/06/164/m_nepad-conditionnalite-interiorisee8.html
[76] http://www.donorplatform.org/publications/platform-publications.html?Itemid=312
[77] http://www.ifpri.org/sites/default/files/publications/wcaobrochure_kp.pdf
[78] http://www.oecd.org/document/2/0,3746,en_38233741_38247070_44425686_1_1_1_1,00.html

leading emerging economies"[79]. However it is puzzling to see that the French version of the same report is twice longer and more explicit than the English version on the NEPAD's free-trade strategy: "*African countries have usually mobilized their main efforts to appeal for preferences, a special and differentiated treatment, and other forms of exemption, which de facto legitimize and hence prolong global protectionism and its established negative effects on agricultural growth, poverty reduction, food security and food safety. The research carried out shows that preferences, despite their large and strong political appeal, have generally much less value than expected*"[80]. In that case why the SSA countries are they reluctant to sign EPAs with the EU? These NEPAD technocrats should read La Fontaine's fable "*The frog and the ox*", where the frog wants to become as big as the ox, the fable ending by: "*The puny goose inflated so much that it exploded*". Yet the SSA food deficit (fish excluded, for which the deficit was of 2 million tonnes in 2009) has been multiplied by 10 from 1995 ($0.9 billion) to 2011 ($9 billion), an annual rise of 14.5%, and of 5% per capita in real terms (inflation deducted). And, if we exclude the net trade in cocoa+coffee+tea+spices, which are not basic staples, the food deficit has been multiplied by 5.8, from $3.4 billion to $19.8 billion, still an annual increase of 10.9%, or by 3.9% in real terms and by 1.7% per capita in real terms. Despite these large imports, or rather because of them, 30% of SSA population is chronically hungry.

The analysis of the IFPRI-Africa on land purchases shows its liberal and technocratic approach: "*In all African countries where demand for land acquisition has recently increased, the productivity level achieved by existing (smallholder) cultivators is less than 25 percent of potential… It is equally important to provide the basis for well-functioning land markets to facilitate mutually agreed upon transfers of valuable land to its most productive use. Even in countries where little or no land is available for expansion, such transfers will be important to reduce the yield gap and provide the basis for structural transformation that allows an increasing share of the population to improve its livelihood by pursuing nonagricultural activities. As in the past, only about 20 percent of the large farming enterprises survived for a decade or more, clarity about rights and agile ways to transfer them from nonviable and possibly insolvent enterprises to more efficient users will be even more important for countries currently facing a boom in land* demand"[81]. The philosophy is clear: promoting the eviction of small farmers in favour of large farms applying "modern" technologies is a "win-win" scenario since the first will find better paying jobs elsewhere!

FARA (Forum for Agricultural Research in Africa) developed the FAAP (Framework for African Agricultural Productivity) to achieve the priorities of CAADP Pillar IV devoted to research. FAAP focuses on the dissemination of "modern" technology and a greatly increased use of inputs, including genetically modified seeds. FARA has launched in 2009 the three-year project SABIMA (Project to build capacity for safe biotechnology management in sub-Saharan Africa) operating particularly in Burkina Faso, Ghana, Nigeria, Kenya, Malawi and Uganda, with funding from Syngenta, the third global company for seed, including GMOs, and pesticides[82].

The Alliance for a Green Revolution in Africa (AGRA Foundation), chaired by Kofi Annan, former Secretary General of the United Nations, makes a double discourse. On the one hand AGRA claims to promote family farming and agro-ecological techniques, recognizing that "*the misuse of fertilizers and irrigation could cause damage to the environment*" and claims to focus on conventional seed selection "*which can be very sophisticated in terms of technology*" because it "*can produce significant short-term benefits at a relatively low cost*", but on the other hand AGRA and CAADP receive considerable financial support from Rockefeller and Bill & Melinda Gates Foundations as from the US-AID which all support the promotion of GM seeds. Robert Horsch, a former vice president of Monsanto's agricultural program, is the manager of the Gates Foundation and 12 of the 33 projects funded by AGRA in Kenya are research projects on GMOs.

[79] http://www.caadp.net/pdf/%28FINAL%29_CAADP_Brochure-Area_A_%281-21-09%29.pdf
[80] http://www.caadp.net/pdf/PDDAA_Domaine%20%20A_FR.pdf
[81] http://www.ifpri.org/sites/default/files/publications/wcaotn01.pdf
[82] http://www.sourcewatch.org/index.php?title=Forum_for_Agricultural_Research_in_Africa; http://www.syngentafoundation.org/index.cfm?pageID=533

The 3ADI (African Agribusiness and Agro-Industries Development Initiative) was launched in 2010 by NEPAD in partnership with FAO, IFAD and UNIDO, with the main objective to increase the flows of private investments to African agriculture. If most of the funding will come from the private sector, "*The public sector must therefore create and maintain conditions that promote private sector investment (including farmers) in agribusiness and agro-industries*".

The final report of the Conference held in Abuja from 8 to 10 March 2010 states that "*The public sector would ensure that agribusiness and agro-industries have access to affordable financing and will be able to operate on a profitable basis*" [83]. At the forum on 29 and 30 April 2010 in Ouagadougou on "*Accelerating Growth: the place and role of agricultural entrepreneurship*" the Agriculture Minister Laurent Sédogo "*who did not underestimate the benefits of small family farms, thinks that agribusiness is an alternative to eradicate food insecurity and rural poverty*", *but one of the present 100 national agricultural entrepreneurs, Kani Bicaba, farmer in the Mouhoun Buckle, confided: "agriculture is not like trade. We need a lot of money to invest." Most agrobusinessmen seek the support of the authorities to solve the problem of access to credit*"[84].

Mamadou Cissokho notes that "*Studies conducted in recent years by IIED and CIRAD show that in areas where the industrial crops have registered a development start, such as in the Senegal River valley or in some cotton areas of Burkina Faso and Benin, they have produced some interesting results when circumstances were favorable, but with a lot more government support than peasant agriculture. When crises occurred, these "modern" farms did not resist and often disappeared, while our family farms have adapted and survived*"[85]. One can add the failure, despite the facilities provided, of the installation in the Nazawara State of Nigeria of farmers of European origin expelled from Zimbabwe: "*The white Zimbabwean farmers earned their reputation for farming prowess over a long period of time under a special set of conditions. Remove enough critical parts of those conditions for success (political commitment over the long term, security of land tenure, access to affordable and long-term finance, infrastructure in place, access to inputs and markets, etc, etc) and it doesn't matter how knowledgeable or committed those farmers are; you end up with failure*"[86]. The same failure occurred in the Kwara State[87].

The "New Alliance for Food and Nutrition"[88] was launched by Barack Obama in Washington on the eve of the G8 meeting at Camp David in 2012 with the goal of making out of poverty and hunger 50 million Africans in 10 years, with funding to come from 45 private companies of all sizes, African or not, who are committed to invest $3 billion in the CAADP national "compacts" of seven countries selected by "Grow Africa": Ethiopia, Ghana, Rwanda, Burkina Faso, Kenya, Mozambique and Tanzania. This is a partnership between the African Union, NEPAD and the World Economic Forum, with the aim to involve the private sector in their "agricultural revolution"[89]. The New Alliance is a joint initiative of the G8 and Grow Africa. Investment commitments do not affect agricultural production alone but all the stages of the value chain, especially at the inputs level (seeds, fertilizers). But there is a strong likelihood that this new "green revolution" would imply the eviction of small farmers, financially unable to adopt these technologies, but also the degradation of environment and biodiversity.

The Senegalese Government has invited in Dakar the Agribusiness Forum 2012 from 25 to 28 November 2012 to promote private investment in SSA agriculture and seek public subsidies for this promotion. According to a Kinshasa journalist, "*The members of this forum demonstrated, in their*

[83] http://www.hlcd-3a.org/data_all/PDF_fr/a3ADI_progFram_F.pdf
[84] http://www.lefaso.net/spip.php?article36542
[85] Mamadou Cissokho, *Dieu n'est pas un paysan*, Présence Africaine, GRAD, mars 2009.
[86] http://www.thezimreview.com/2010/10/what-experience-of-less-successful-of.html
[87] http://zimbabweland.wordpress.com/2012/04/10/the-next-great-trek-from-zimbabwe-to-nigeria/
[88] http://www.whitehouse.gov/the-press-office/2012/05/18/fact-sheet-g-8-action-food-security-and-nutrition
[89] http://www.nepad.org/foodsecurity/news/2624/grow-africa-initiative-aims-empowering-small-scale-farmers-become-commercial-

presentations and communications, to African policy makers that the only way to ensure food security for their populations and curb malnutrition is to reverse their current policy. Their recommendation concerns the use of modern methods of intensive farming, the production of improved seeds, the use of advanced processing and packaging techniques of agricultural products, and establishing profitable distribution channels. Moreover, they are aware that the network can operate only through involving small producers alongside great entrepreneurs supported by bank loans in a win-win partnership. According to participants, if African agriculture is practiced according to modern technics, it will offer the best chances to make the desert grow green again"[90].

In anticipation of this meeting ROPPA convened an international forum from 20 to 22 November 2012 on the theme "*Family farms are the main purveyors of food and wealth in West Africa*". In the Final Declaration the representatives of farmers' organizations and agricultural producers members of CNCR (National Council of Cooperation and Coordination of Rural Senegal) and of other national platforms of ROPPA stated: "*We condemn and reject: the processes of grabbing our natural resources (land, water, forests ...) by other actors followers of agribusiness that hinder the development of the potential of family farms and compromise the future of generations to come; the policy choices which would give priority to agri-business at the expense of family farming in the choice of public investments; development and growth programmes elaborated without consultations and negotiations with the family farms through their farmers' organizations and without reference to NAIP (national agricultural investment Programmes) and the RIAP (regional agricultural investment programme) and other sectoral policies defined in a concerted manner with all stakeholders*"[91].

Claiming to found from now on SSA future agricultural development on the contribution of private companies is obviously an illusion, which is largely due to the failure of developed countries to increase their ODA (overseas development aid) to African agriculture and already to meet their past commitments. However, in the assessment report of L'Aquila commitments released at Camp David, over the $39 billion of investment requirements of agreed "compacts" in SSA in January 2012, African governments committed to $11.1 billion, bilateral and multilateral "partners" to $8.7 billion, but nothing from the private sector (before the $3 billion of the New Alliance), so that more than 19 billion USD were still to be found.

Let us conclude this section on the land Guidelines and the draft Guidelines on Responsible Investment by stressing that these land concessions and the appeal to foreign investors are granted under contracts guaranteeing their right to export their products at any time, even when the country faces a high food deficit. All the more when host countries have concluded bilateral free trade agreements (FTAs) with countries of origin of the investment as Fantu Mulleta Farris recalls: "*Most BITs entitle multinational corporations with a treatment that is no less favourable than that provided for domestic investors in all aspects of investment undertakings including in the marketing of products outside the host country*"[92]. So the country is losing its right to tax or prohibit exports, a right recognized by the WTO and by some countries at the source of these land grabs since 2007, such as India and China. Moreover this recognition of the freedom to export given to countries at the origin of land grabbing is creating a precedent that will prevent these developing countries to fight to achieve food sovereignty in WTO and bilateral agreements.

The strategy to put an end to land grabbing and agricultural investments marginalizing family farms and that might push up food and land prices is actually very simple: that governments reserve their right to limit at any time exports of agricultural products and biofuels, which should be allowed only after obtaining an export license and the right to impose export taxes or bans in case of food deficit. To

[90] http://www.lobservateur.cd/index.php?option=com_content&view=article&id=9254:retombees-du-forum-agri-business-2012-de-dakar-emrc-international-belgique-dispose-a-monter-un-projet-en-rdc&catid=47:nation&Itemid=49

[91] http://www.cncr.org/IMG/pdf/Declaration_Finale_Forum_CNCR_Dakar_Novembre_2012-2.pdf

[92] Fantu Farris Mulleta, *International Guidelines: solutions to problems underlying large-scale land deals ?* http://www.agter.asso.fr/article904_en.html

change governments' positions on that issue will require the mobilization of civil society - including farmers' organizations and consumer groups - but also that international institutions and foreign governments condition their multilateral and bilateral aids to this clause of priority to be given to the needs of the domestic market.

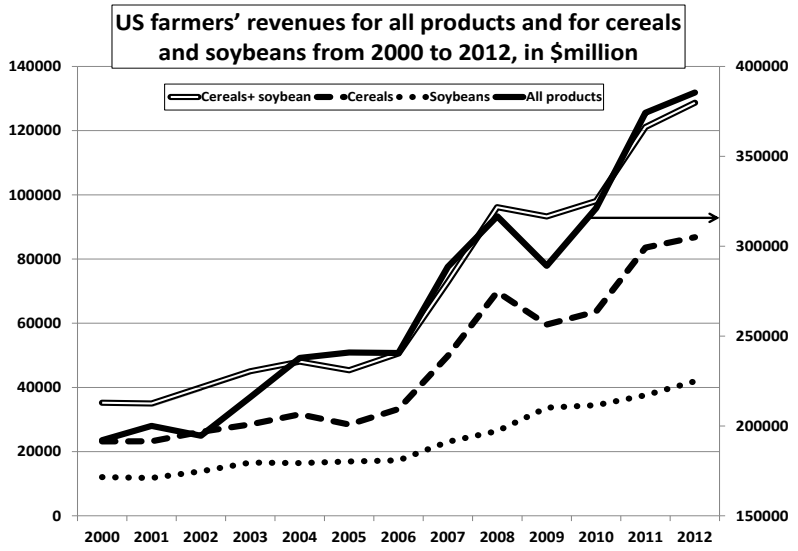
IV – The false solutions to fight against soaring food prices

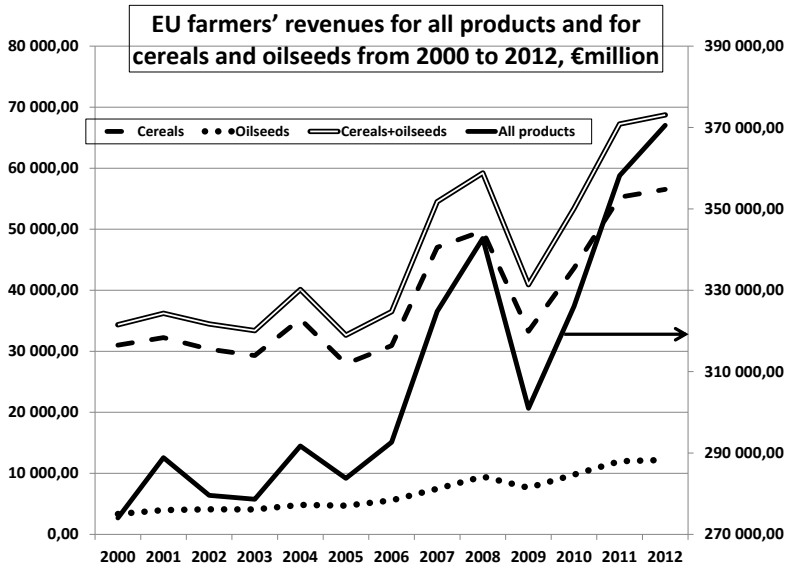
The mask of the fight against agricultural prices volatility

Faced with price hikes from 2006-07 to 2007-08 and from 2010 to 2012, far from calling into question the strong price increases despite the suffering imposed on countries that are net importers or have suffered food riots, all international institutions rallied against the volatility of agricultural prices in the name of global food security, making a mix between the two objectives.

In reality all the rhetoric and promises from developed countries and international institutions to make every effort to fight the volatility of agricultural prices – to be interpreted as "*fight against excessive agricultural prices that increase the number of people suffering from hunger*" – cannot resist the fact that the recent high prices of cereals and oilseeds, and expected to remain high in the long run, are so profitable to the exporting countries – particularly US, EU, Mercosur – that they are certainly not willing to limit their level.

The graph below shows the sharp rise in the sales value of cereals and soybeans by US farmers, sales which have represented a growing percentage of total farm receipts, from 19.4% on average from 2000 to 2005 to 30% on average from 2006 to 2012. And this without taking into account the subsidies, including on agricultural insurance which have increased in line with the price level. Similarly, the following chart shows the revenues of the EU27 producers of cereals and oilseeds, compared to that of all agricultural products, from 2000 to 2012. These products also accounted for a growing percentage of the farm revenues from all products: 12.4% on average from 2000 to 2005 to 16.4% from 2006 to 2012.

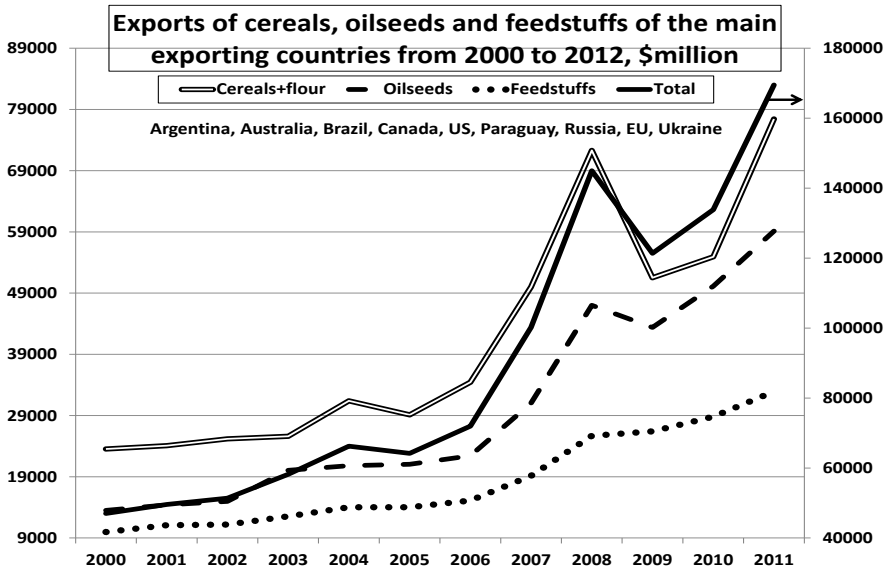




In addition, these high prices have not only greatly increased the income of farmers, but also the trade balance of these countries. Moreover, the agriculture ministers of six Southern Cone countries – Argentina, Bolivia, Brazil, Chile, Paraguay and Uruguay – wrote an open letter to President Sarkozy on April 1, 2011, on the eve of the G20 agriculture meeting of June in Paris: "*Faced with a number of initiatives of developed countries wanting to fight against food insecurity in implementing control mechanisms of international commodity prices*" they "*emphasize the risk of discouraging agricultural production in countries like theirs, which enjoy comparative and competitive advantages to feed the world*"[93]. To be sure all net exporters of cereals and oilseeds are not against a reduction in prices volatility from one year to another or intra-annual, but they are against limitations of the upward trend of prices in the medium and long terms. In other words, in the international debates on this issue, while net importing countries and the vast majority of developing countries would like to put limits to the rise in food prices, the net exporters of cereals and oilseeds agree only to limit short-term, mostly intra-annual, prices fluctuations.

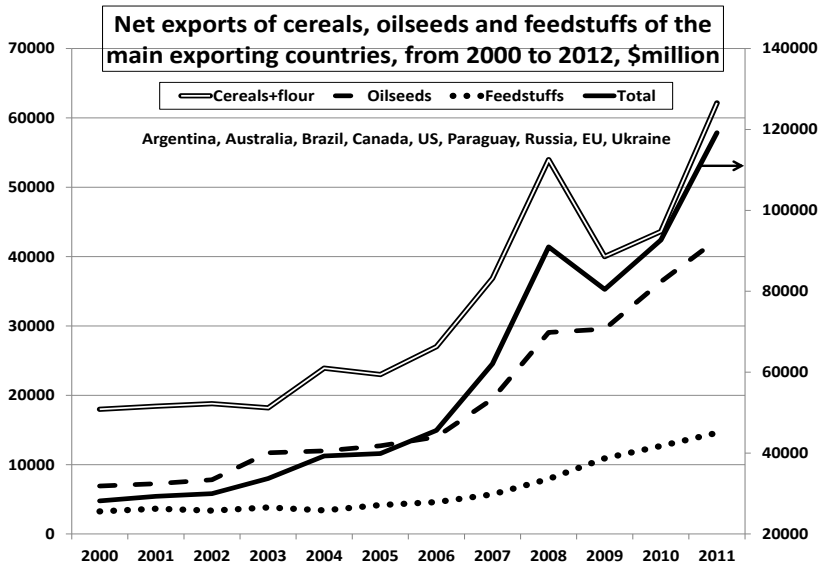
The graph below shows the surge in the value of exports of cereals (and milling products), oilseeds and feedstuffs of the major exporters: Argentina, Australia, Brazil, Canada, EU27, Paraguay, Russia, Ukraine, United States. This value increased from $56.1 billion on average from 2000 to 2005 (+6.4% per year) to $123.6 billion on average from 2006 to 2011 (+18.7% per year). For cereals alone (and milling products) the value increased from $26.5 billion on average from 2000 to 2005 (+4.3% per year) to $56.8 billion on average from 2006 to 2011 (+ 17.7% per year).

[93] *Régulation des marchés agricoles/G20. Six pays d'Amérique du Sud sur la défensive*, La France Agricole, 5 avril 2011, http://www.lafranceagricole.fr/actualite-agricole/regulation-des-marches-agricoles-g20-six-pays-d-amerique-du-sud-sur-la-defensive-41191.html



As many of these countries are also major importers – including the EU, particularly for oilseeds and animal feed – the following graph shows their net exports. They increased from $33.4 billion on average from 2000 to 2005 (+7.2% per year) to $81.8 billion on average from 2006 to 2011 (+21.2% per year). For cereals alone (and milling products) the net export value increased from $20 billion on average from 2000 to 2005 (5% per year) to $43.9 billion on average from 2006 to 2011 (+18.1% per year).

It is therefore understandable that these countries, which are members of the G20 (except Paraguay and Ukraine), are not at first sight very keen that international institutions take effective measures to cap the prices of these products.



But there is another unspoken reason for which, despite their rhetoric, international institutions are not really committed to fight the volatility of agricultural prices: if they claim to increase transparency in the derivatives markets they emphasize at the same time the essential role of these markets. Now this is a fundamental contradiction since everyone knows that speculators intervene only when volatility is high. Thus the joint report of 3 June 2011 written by ten international organizations – FAO, IFAD, IMF, OECD, UNCTAD, WFP, World Bank, WTO, IFPRI, High-level Working Group of the United Nations on World Food Security – on the eve of the G20 Agriculture meeting of June 2011 said: "*Speculators also trade in the futures markets; they buy and sell futures contracts and take on the risk of*

future price fluctuations to gain a risk premium... Another essential function of futures markets is to facilitate price discovery. Price discovery is the continuous process by which futures prices are reassessed by buyers and sellers as new information becomes available… Speculators are necessary for the performance of both these functions. They buy and sell futures contracts and take on the risk of price fluctuations to earn a profit on price movements. By doing so, they provide the market liquidity which enables commercial hedgers to find counterparties in a relatively costless manner. Too little non-commercial participation results in low liquidity and potentially in large seasonal price swings"[94]. Similarly, the G20 meeting in Cannes proclaims in its Final Declaration of December 2011: "*We recognize that appropriately regulated and transparent agricultural financial markets are a key for well-functioning physical markets and risk management. We welcome IOSCO recommendations on commodity derivatives endorsed by our Finance Ministers. We commit to mitigate the adverse effects of excessive price volatility for the most vulnerable through the development of appropriate risk-management instruments*"[95]. It is true that the report of the IOSCO (International Organization of Securities Commissions) of 15 September 2011 is ambitious and goes in the direction of the Dodd-Frank Act. But to match the reality is another matter.

The false debate of export restrictions

Among the causes of the volatility of agricultural prices, and especially their outbreak in 2007-08 and since the second half of 2010, international institutions and Western countries have highlighted the export restrictions and taxes on agricultural products. This is particularly the case of the aforementioned report on the volatility of agricultural prices of 3 May 2011 by 10 international institutions but also of the report of 11 May 2011 of the experts team commissioned by the High level panel of experts of the Committee on World Food Security (CFS), which requires "*the establishment of stricter rules on export restrictions: notify in advance the intention to do so, limit measures in time (as are the special safeguards), seek an independent assessment that food security is threatened*".

Many developing countries have introduced taxes, quantitative restrictions or bans on the export of food commodities when their prices have soared in the period 2007-08. Vietnam, India, Egypt, China, Cambodia, Indonesia and Uzbekistan have used them for rice[96]. Even Thailand, the main exporter, has decided to sell rice at lower prices in the domestic market than on exports, which amounts to tax exports, although its exports have not fallen much. Argentina, Ukraine, Russia, Kazakhstan, Pakistan, China and India have restricted wheat exports in 2007-08 and Russia and Ukraine have done it again in 2009-10. Other countries have imposed restrictions on exports of other agricultural products, such as Argentina's export taxes on soybeans.

In fact, the WTO does not prohibit export taxes (Article 12 of the Agreement on Agriculture, AoA) and the level of these taxes is not limited, unlike tariffs on imports that are bound, that is to say capped[97]. Developed countries and net exporters of developing countries must only notify those taxes to the Committee on Agriculture of the WTO, but it is not a request for permission. Let us remember that the EU taxed wheat exports at 35 €/t from late 1995 to the beginning of the second semester of 1996[98] and on 14 May 1997 the Commission again imposed export taxes on cereals for a few months. During the meeting of the Agriculture Council of 26 September 2007, Spain has suggested that the EU, as Russia and Ukraine did, tax cereals exports to keep production for internal needs – which

[94] *Price Volatility in Food and Agricultural Markets: Policy Responses*, 2 June 2011, http://www.oecd.org/agriculture/pricevolatilityinfoodandagriculturalmarketspolicyresponses.htm
[95] http://www.g20.utoronto.ca/2011/2011-cannes-declaration-111104-en.html (Draft of 4 November 2011).
[96] Trostle R., *Global Agricultural Supply and Demand: Factors Contributing to the Recent Increase in Food Commodity Prices*, USDA, Economic Research Service, 2008.
[97] Ramesh Sharma and Panos Konandreas, *WTO provisions in the context of responding to soaring food prices*, FAO Commodity and trade policy research working paper N° 25, August 2008.
[98] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CONSLEG:1995R1501:20030815:EN:PDF

confirms that these taxes are still permitted under EU law – but agricultural Commissioner Fischer Boel rejected this request[99].

If these export restrictions have certainly contributed to the spikes in world prices, particularly rice, they have reduced domestic food prices in countries that have taken the restrictions. In most cases, they were adopted after prices soared to levels jeopardizing national food security. And, in the absence of these restrictions, most of these countries would have had to import, which would have changed nothing in the end to the higher world prices but would have reduced the food security of the poorest in these countries, unable to cope with too high prices. It is unwillingly that India had banned rice exports in March 2008[100], which did not prevent it to remain a net exporter of 4.7 million tonnes in 2007-08 and 2.1 million tonnes in 2008-09, a fact which contradicts the alleged negative effects of India's embargo on the export of non-Basmati rice from March 2008.

One cannot blame a poor country to prioritize the food security of its citizens as long as there is not a world government to guarantee it. Clearly this goes against the WTO implicit principle that all States should prioritize global "economic welfare" over that of their citizens, even if they are the poorest. This principle, highlighted in the Doha Round negotiations, implies that the "offensive interests" of the WTO Members – their demand to access the market of other Members – are more legitimate than their "defensive interests" to defend their domestic market. The AoA also prioritizes access to other WTO Members' markets over farmers' access to their own domestic market in its preamble and in the order of its articles.

Yet history shows that export taxes have been widely used by developed countries, from the 11th century in England, and in the 18th and 19th centuries the taxation of wool exports was the basis for the competitiveness of the British textile industry![101] Then France and the UK widely used in their colonies taxes on exports to third countries, including agricultural commodities, to preserve the monopoly of cheap imports. Then, after independence, the new States of Africa and Asia have greatly taxed exports of unprocessed raw materials, including agricultural ones, both as an essential budget resource and to promote domestic processing prior to exports. The elimination of export taxes on unprocessed cashew from Mozambique imposed by the World Bank in the mid-1990s resulted in the unemployment of 10,000 workers in processing plants[102]. A WTO report 2004 also specifies that export taxes – allowed by the WTO - are often the lesser evil, a "second best" for many developing countries. Conversely, the taxes levied by the Côte d'Ivoire on the export of coffee and cocoa during the long reign of President Houphouët-Boigny have largely contributed to finance infrastructure and some industrialization.

Unfortunately, under pressure from developed countries, including the EU, the WTO Revised draft of agricultural modalities of 6 December 2008 proposed to eliminate the GATT permission on export restrictions: "*Existing export prohibitions and restrictions in foodstuffs and feeds under Article XI.2 (a) of GATT 1994 shall be eliminated by the end of the first year of implementation*" (paragraph 177). However this provision seems contradictory with the proposal to permit new export restrictions albeit with a better information of the Committee on Agriculture and consultations with possibly affected Members: "*Any new export prohibitions or restrictions under Article XI.2 (a) of GATT 1994 should not normally be longer than 12 months, and shall only be longer than 18 months with the agreement of the affected importing Members*" (paragraph 178).

According to the French daily newspaper Les Echos of 18 April 2008, "*The trade Commissioner Peter Mandelson is adamant: "Export taxes, quotas and prohibitions do not serve the economy and development" he hammered yesterday in the European Parliament, denouncing a "return to*

[99] http://www.intracen.org/mts/wtn/newsletters/2007/3_2/3_2_m.htm
[100] http://d-arch.ide.go.jp/idedp/SPT/SPT003200_004.pdf
[101] Third World Network, *Benefits of export taxes*, 24 September 2009, http://www.acp-eu-trade.org/library/files/TWN_EN_240909_TWN_Benefits-export-taxes.pdf
[102] http://www.hks.harvard.edu/fs/drodrik/Research%20papers/nuts.pdf

mercantilist policies of the past" and the possibility of "a protectionist spiral and a decline in global agricultural production"[103]. In another speech on 29 September 2008, at the EU Conference on Trade and commodities, Peter Mandelson added: "*Between 70-80% of our primary resources are imported… Our competitive advantage is already acutely sensitive to the supply and the costs of these inputs… So, the goal of the EU's trade policy is, and will remain, an open global market completely free of all distortions on trade in energy and raw materials*"[104]. Similarly, the interim EPA (Economic Partnership Agreements) between the EU and some ACP countries, of which Ivory Coast, stipulates in Article 16 that ACP countries will not increase their export taxes, or only in a temporary basis in exceptional circumstances and after consultation with the EU. Thus the EPA would greatly reduce the ACP budgetary resources linked not only to the gradual elimination of tariffs on 80% of their imports from the EU, its biggest trading partner, but also those linked to export taxes.

During the WTO Public Forum on September 26, 2012, Manzoor Ahmad – Research Director at the ICTSD (International Centre for Trade and Sustainable Development) and former ambassador of Pakistan to the WTO – has cited the case of Pakistan which had exported wheat in 2007 and, after a sharp rise in the price, had to reimport wheat at a much higher price. While in the villages there are usually stocks, this is not the case in cities where the population has suffered from rising prices. In fact Pakistan had both to impose a 35% tax on the export of wheat to Afghanistan in the second half of 2008, then to ban all exports while importing 1.7 million tons of wheat. Mansoor Ahmad criticized also the U.S. and EU biofuels which have withdrawn from the market large volumes of cereals swhile their world prices were increasing and he added that these transfers of cereals to biofuels were equivalent to very large export restrictions. In other words, before giving a lecture to the world on the need to ban export restrictions, the U.S. and EU should start by putting an end to the massive diversion of grain to biofuels. Other panelists said that export restrictions may be justified if it is to ensure national food security, but not if they are a means to raise prices to earn more on exports.

It is certain that the export restrictions, particularly on rice, have contributed to the rise in world prices and weakened net importing countries. But it also served as a warning to all developing countries which, with a significant production potential, preferred to yield to pressures from international institutions and multinational agribusiness firms to choose to import rather than to produce when import prices are cheaper than domestic products, regardless of the fact that these imported products are often heavily subsidized by the exporting countries.

But precisely, because dumping is condemned by the WTO – Article 6 of the GATT anti-dumping Agreement, Articles 3 and 5 of the Agreement on Subsidies and Countervailing Measures and Articles 9 and 10 of the AoA –, its Members should instead be forced to tax exports of subsidized products. By indiscriminately condemning all restrictions and taxations of exports, the WTO is hypocritical and objectively accomplice of dumping it claims to fight.

The paragraph 6 of the Final Declaration of 18 December 2005 of the WTO Ministerial Conference in Hong Kong stated: "*We agree to ensure the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect to be completed by the end of 2013*". And the paragraph 11 added: "*Without prejudice to Members' current WTO rights and obligations, including those flowing from actions taken by the Dispute Settlement Body*".

Now the Appellate Body has held on several occasions since 2001 that dumping must take into account domestic subsidies going to exports. First on December 3, 2001, in the Dairy products of Canada case: "*The distinction between the domestic support and export subsidies disciplines in the Agreement on Agriculture would also be eroded if a WTO Member were entitled to use domestic support, without limit, to provide support for exports of agricultural products... It would undermine the benefits intended to accrue through a WTO Member's export subsidy commitments*"(paragraph 91) and "*The potential for WTO Members to export their agricultural production is preserved, provided*

[103] http://www.lesechos.fr/info/inter/4716963.htm
[104] http://ec.europa.eu/commission_barroso/ashton/speeches_articles/sppm219_en.htm

that any export-destined sales by a producer at below the total cost of production are not financed by virtue of governmental action" (paragraph 92). The Appellate Body upheld the 20 December 2002, in the same case, that "Article 9.1(c) addresses this possibility by bringing, in some circumstances, governmental action in the domestic market within the scope of the "export subsidies" disciplines of Article 3.3" (paragraph 148).

The Appellate Body confirmed on 3 March 2005, in the U.S. cotton case, "*that the effect of the marketing loan program payments, Step 2 payments, market loss assistance payments, and counter-cyclical payments (the "price-contingent subsidies") is significant price suppression within the meaning of Article 6.3(c) of the SCM Agreement, by in turn upholding the Panel's*", meaning that they have a dumping effect. And Daniel Sumner concluded: "*As the first WTO dispute over domestic farm subsidy programs, the rulings in the upland cotton case have clarified the agreement provisions for current and future negotiations. The rulings also suggest that other subsidy policies of the United States and other WTO members may also be out of compliance, and that additional cases may be brought*"[105].

And again on 5 April 2005, in the EU sugar case, the Appellate Body "*upholds the Panel's finding, in paragraph 7.334 of the Panel Reports, that the production of C sugar receives a "payment on the export financed by virtue of governmental action," within the meaning of Article 9.1(c) of the Agreement on Agriculture, in the form of transfers of financial resources through cross-subsidization resulting from the operation of the European Communities' sugar regime*" and "*Upholds… that there is prima facie evidence that the European Communities has been providing export subsidies, within the meaning of Article 9.1(c) of the Agreement on Agriculture, to its exports of C sugar since 1995*"[106]. That is why Solidarity produced in 2006 a series of evaluations of "comprehensive dumping" of EU exports of cereals, meat (beef, pork and poultry) and dairy products, distributing the non-product specific AMS (aggregate measurement of support or "amber box") and the green box between the various products exported according to their relative weight in the whole agricultural production value[107]. The calculation was recently redone for the dumping rate of EU cereals in 2006[108], and for all animal products of the EU-15 in the 2006-2008 period[109].

The damage inflicted by the dumping of the EU and other Members to producers of importing Members and of competing exporting countries underscores the urgent need to revise the agreements of the GATT and the WTO to force Members to tax all exports having benefitted from all types of domestic and export subsidies so as to eliminate dumping.

The false solution of cereal stocks in the structurally deficit areas

One of the proposals of the report of 3 June 2011 of the ten international institutions, confirmed by the agricultural G20 in Cannes, is to constitute cereals stocks in the areas most prone to recurrent deficits, and particularly in Sub-Saharan Africa.

The G20 limited itself to recognizing "*the key role played by the private sector, in particular on stocks data*"[110] by asking them to share their data with the public authorities, and recommended to establish a pilot program for small targeted regional emergency humanitarian food reserves in connection with the

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[105] Daniel A. Sumner, *U.S. Farm Policy and WTO Compliance*, http://aic.ucdavis.edu/research/farmbill07/aeibriefs/20070515_sumnerWTOfinal.pdf

[106] https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=%28@Symbol=%20wt/ds265/ab/r*%20not%20rw*%29&Language=ENGLISH&Context=FomerScriptedSearch&languageUIChanged=true#

[107] http://www.solidarite.asso.fr/Papers-2006: *Feed subsidies to EU and US exported poultry and pig meats*, Solidarité, January 10, 2006; *The comprehensive dumping of the European Union's dairy produce from 1996 to 2002*, Solidarité, January 31, 2006; *The comprehensive dumping of the EU bovine meat from 1996 to2002*, Solidarité, April 19, 2006.

[108] http://www.solidarite.asso.fr/Papers-2010.html?debut_documents_joints=10#pagination_documents_joints

[109] http://www.solidarite.asso.fr/Papers-2011

[110] http://www.amis-outlook.org/fileadmin/user_upload/amis/docs/2011-agriculture-plan-en.pdf

World Food Programme (WFP). But we should not delude ourselves about the willingness of the private sector to communicate actual data on its stocks which serve to speculate in order to optimize the sales value of their cereals. There is no other alternative than to have public stocks but the political will is lacking, primarily because it would represent a significant budgetary cost while the US and EU strive to reduce their huge budget deficits and because the first reason why the EU decided to delete intervention stocks was precisely their budgetary cost.

The humanitarian food reserves project was established in September 2011, focusing on West Africa: Benin, Burkina Faso, Gambia, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Senegal, Sierra Leone and Togo. It aims to "*Make maize, millet, sorghum and rice sufficient to meet up to 90 days of projected needs for the most vulnerable available to participating countries through a small physical stock of 67,000 metric tonnes*"[111], the main stocks being in Mali, Niger, Burkina Faso and Senegal. The distribution among cereals would be as follows: 20 to 25% for maize, 15 to 50% for millet and sorghum and 30 to 60% for rice. If it should not be difficult to buy millet and sorghum in the region, maize could miss and would be imported from South Africa while rice, for which the region has a large deficit, would be imported from Asia or even received as food aid (probably by Japan which has to re-export the US rice it has to import, although Sahelians do not like it as it has often been stored for several years). On the other hand this pilot project would cost $44.4 million initially plus $16.6 million annually to replenish the stock that ECOWAS' beneficiaries Member States will finance. In addition, the cost of establishing the initial reserve would be covered by ECOWAS Member States and external donors, without knowing the sharing of contributions and without commitments already made.

In reality this type of regional stocks will be powerless to fight soaring prices as the US – which is price maker for the world prices of cereals – and the EU will continue to reduce their cereals stocks since, as we have seen, the decline in their stocks exceeded that in global stocks from 2005-06 to 2012-13, China and India having increased theirs. As West Africa produced 45.703 million tonnes (Mt) of cereals in 2010 and had net imports of 11.775 Mt, its total apparent consumption (excluding stocks) was of 57.478 Mt, or 157,474 t per day, implying that the stock of 67,000 t would correspond to only 0.12% of West Africa's needs or 10 hours and 10 minutes of consumption! This ECOWAS project will only be another food aid project with all its negative effects, costly and bureaucratic, which would do nothing to tackle the root causes of the recurrent cereal deficit. Its main cause originates in the lack of an efficient import protection – with tariffs ridiculously low, at 5% except at 10% for rice –, while cereals are imported at highly dumped prices given the huge EU and US dumping due to the large direct payments received by producers. Then, instead of promoting rice imports, another project should popularize new methods of processing local cereals, since the NGO Solidarité has begun in 2011 to train Senegalese bakers to incorporate from 30% to 50% of local cereals in bread, not to speak of the interest to make maize tortillas[112].

Naturally a storage policy is needed in West Africa but it should be done at village level. They are the low prices of imported cereals until 2007, due to the very low level of tariffs, which prevented farmers to continue their traditional practices to keep stocks of at least one year of consumption, or even two or three years.

V – To stabilize domestic agricultural and food prices, rebuild import protection on variable levies

[111] http://www.foodsecurityportal.org/sites/default/files/prepare_feasibility_proposal.pdf
[112] http://www.solidarite.asso.fr/SENEGAL-Valoriser-les-cereales

The previous pages have shown that volatility and rising global food prices, particularly cereals, cannot be controlled as long as agricultural policies are guided by "the free play of market forces", most States having abandoned the regulation of agricultural prices, supported biofuels while meeting strong opposition to regulate over-the-counter financial markets.

States' leaders, especially within the EU, have very little memory as they should remember the golden age of the CAP when the level of agricultural prices shown a relative stability. At least their reduction was deliberately planned by the Community authorities, given the sharp rise in yields, to maintain an acceptable level of agricultural incomes, even if they were very unevenly distributed, which fostered a high concentration of farms. The high protection of the internal market has prevented agricultural prices to be destabilized by imports. With the huge exception however, that proved disastrous, of the unprotected imports from the early 1960s of oilseeds (soybeans in particular) and feedstuffs cereals substitutes (cassava, citrus pulp, corn gluten feed). This lack of protection was the main source of the CAP's major problems: increasing rise of surpluses of cereals, meat, eggs and dairy products, which required huge export subsidies (refunds) and storage costs before exporting these stocks with a huge loss. Indeed in that period the CAP practiced a massive dumping of these products as it was tolerated by the GATT, but this major flaw could have been avoided. Contrary to the free trade prescriptions of the international institutions – IMF, World Bank, OECD, GATT and WTO –, it is in fact the lack of adequate protection of feedstuffs that generated this dumping but also all the excesses of intensive farming, source of environmental pollutions. As oil had also been very cheap for a long time, that led to an excessive use of chemical fertilizers, another source of pollution.

Since the primary purpose of this book is to explain the volatility of agricultural prices and the ways to overcome it, the only effective tool for all countries or regional groupings of neighbouring countries of a similar level of development, is to use variable import levies (VLs) to stabilize the entry prices of imported products in domestic currency. We will focus on the case of West Africa, mostly ECOWAS.

The criticisms of variable levies are unfounded

While VLs were the main, and very effective, form of agricultural protection used by the EU until 1994, since then Article 4 of the WTO Agreement on Agriculture (AoA) prohibits the use of forms of protection other than tariffs, which include "*quantitative import restrictions, variable import levies, minimum import prices, discretionary import licensing, non-tariff measures maintained through state-trading enterprises, voluntary export restraints, and similar border measures other than ordinary customs duties*". The WTO Appellate Body explained why on 7 May 2007: "*Variable import levies are measures which themselves… impose the variability of the duties, that is, measures that are 'inherently" variable because they 'incorporate a scheme or formula that causes and ensures that levies change automatically and continuously... The level of duties generated by variable import levies is less transparent and less predictable than is the case with ordinary customs duties… An exporter is less likely to ship to a market if that exporter does not know and cannot reasonably predict what the amount of duties will be. This is why variable import levies are liable to restrict the volume of imports. In addition, they contribute to distorting the prices of imports by impeding the transmission of international prices to the domestic market*"[113].

Indeed neo-liberal economists have focused primarily on the fact that the VLs isolate domestic prices from fluctuations in world prices, a criticism identical to that made to export restrictions. Rather than on the lack of transparency and predictability for operators, they emphasize that the VLs isolate domestic prices from global supply and demand. It was already the main criticism made by the IMF in its 1988 study on the CAP[114] since the EU was the main GATT "contracting party" to use them.

[113] *Chile – Price band system and safeguard measures relating to certain agricultural products*, Report of the Appellate Body, WT/DS207/AB/RW, 7 May 2007.
[114] Julius Rosen Blatt et al., *The Common Agricultural Policy of the European Community. Principles and Consequences*, IMF, November 1988.

Reducing the volatility of domestic prices provided by the VLs would therefore be at the expense of global prices volatility that they would accentuate. This criticism is based on the implicit principle of the GATT and the WTO that all States should prioritize global "welfare" (within the meaning of neoclassical economics) before that of their own citizens, even if they are the poorest. This is akin to the principle that "offensive interests" of Members – their willingness to "access the market" of other Members – are even more legitimate than their "defensive interests," the fact to prioritize their domestic market.

Yet this implicit principle of the WTO – the right to access the markets of other Members, irrespective of their relative competitiveness – contradicts its other recurring explicit principle of "*special and differential treatment*", all the more for the Least developed countries (LDCs). Yet this WTO implicit principle of the offensive commercial interests of States is neither in the UN Charter of 1945 nor in the International Covenant on Economic, Social and Cultural Rights of 1966, which states in Article 1: "*All peoples have the right of self-determination. All peoples may, for their own ends, freely dispose of their natural wealth and resources without prejudice to any obligations arising out of international economic co-operation, based upon the principle of mutual benefit, and international law. In no case may a people be deprived of its own means of subsistence*". And Article 11 states: "*The States Parties to the present Covenant, recognizing the fundamental right of everyone to be free from hunger, shall take, individually and through international co-operation, the measures, including specific programmes, which are needed*". But the WTO is not part of a hierarchy of norms that would subject its rules to the respect of the fundamental human rights – particularly the right to food –, of the main social standards of the ILO (International Labour Organisation) and of the international conventions on the environment.

But the poorest developing countries, particularly of West Africa, are deprived of livelihood and food when the AoA prohibited them from using the most effective means of import protection that have been so successful in developed countries: the EU VLs and the US import quotas. Thus the Network of Food Crises Prevention of the CILSS (Permanent Inter-States Committee of fight against drought in the Sahel) noted in May 2008: "*The concern that remains is whether provisions or mechanisms are also proposed to deal with a possible price collapse in the coming years. Such a situation of ‟non-remunerative prices"for producers could jeopardize food security and livelihoods of family farmers, who provide the bulk of food of the region*"[115].

If ECOWAS (Economic Community of West African States, which includes 15 of the 16 States of West Africa, beside Mauritania) is part of the world's most underdeveloped it is also because it has the rate of applied agricultural import protection the lowest in the world: 13% against 16% for LDCs and 20% for developing countries. But it is not enough to raise tariffs because an effective protection against the volatility of world prices needs precisely to use VLs since *ad valorem* tariffs – a percentage added to the CIF import price – do not provide a sufficient protection when world prices are very low. And Ramesh Sharma from FAO emphasizes that "*agricultural sectors do require some safeguards as agricultural commodity markets are by nature volatile. As an example, the world market price of raw sugar fell from 12.3 US cents per pound in December 1997 to 7.2 US cents per pound in September 1998. This would have required a tariff rate of 70 percent if a country wished to stabilize the domestic market price at the level of December 1997 if the initial tariff was zero (or a tariff of 105 percent if the initial tariff was already 20 percent). The issue here is not so much that of a secular decline in world prices and adapting domestic prices to this trend over a medium-term, which makes an economic sense, but one of stabilizing domestic prices in the face of short-term swings*"[116].

Several theoretical analyses advocate variable levies

As already mentioned, conventional analyzes criticize VLs on imports as responsible for the increased volatility in global prices due to the closure of national markets that use them. Besides the rebuttal

[115] http://www.food-security.net/medias/File/NISA_20_Mai_2008_Final_FR.pdf
[116] http://www.fao.org/docrep/003/X7353E/X7353e06.htm

provided by the multiplicity of hidden VLs which, them, are not criticized – we will detail them below –, many economists emphasize instead the interest of VLs, among whom neo-classic economists, let alone the others.

In honor where honor, let us begin with the paper of a WTO's officer, Hakan Nordström, in 2001. For him "*Policy-makers defend variable levies as a tool to offset the world market instability, suggesting that that they are the victims of volatility and not the perpetrators... It is possible to design a system of variable levies that protects against imported volatility without exporting the home-grown volatility. This is achieved through carefully balanced variable levies that allow enough price transmission to induce each country to absorb its own share of the world market instability. This system would neither beggar thy neighbour, nor take way the stability dividend of international trade*"[117]. He challenges the conventional theoretical analysis of VLs that all countries add the same amount of instability in the global market, regardless of their share in world production. But the effect of VLs on the volatility of world prices is all the more high than the country that use them is a "large country", that its share of world production and imports is high, which was the case of the EU which remains the largest importer of agricultural products and is between the 1st and 4th for the global production of basic food staples. Even in that case Nordström believes that VLs can be designed in a way that reduces their impact on world prices.

On the other hand West Africa's share in the global production and imports of agricultural products is minimal. The following table shows that in 2010 its share of world production (by volume) ranged from 0.3% for sugar to 3.3% for oilseeds, and its share of imports (by value) was only significant for sugar (6%) and cereals (4.5% and 4.3% for wheat and above 12% for rice), but was only of 1.2% for all agricultural products and 1.4% for all food products.

West Africa's share of global agricultural production and imports in 2010

	Production in volume	Imports in value
Agricultural products		1.2%
Food products		1.4%
Fruits and vegetables	3.2% and 1.7%	0.3%
Meats	1.2%	0.5%
Oilseeds	3.3%	0.05%
Vegetable oil		2.5%
Dairy products		1.6%
" in milk equivalent	0.6%	1.7%
Sugar	0.3%	6%
Cereals	2.2%	4.5%
Maize	1.8%	0.2%
Wheat and wheat flour	0.01%	4.3%
Rice	1.8%	12.1%

Source: Faostat

A second reference is the 1982 paper of John MacIntyre of IFPRI focusing specifically on the interests of the VLs for West Africa (WA)[118]. This simulation analysis focused on seven countries – Senegal, The Gambia, Mali, Mauritania, Burkina Faso, Niger and Chad – from 1979 to 1983. The aim was to test the relative impact of three measures to maximize food security: variable levies on cereal imports, a policy of cereals security stocks and an aid in strong currencies to allow imports. The main conclusion was that, in the absence of foreign exchange constraint, VLs are the best way to ensure food security. With a constraint on foreign exchange such that imports cannot exceed 10% of their trend and lacking sufficient food security stocks, consumption would drop more than with VLs.

The third reference is the 2004 paper of P. V. Srinivasan, also of IFPRI, on managing the volatility of prices for oilseeds and vegetal oil in India[119]. The study uses a stochastic dynamic multi-market equilibrium model to compare different types of stabilization of prices and their impact on producers, processors and consumers. It concludes: "*The results clearly show that although freeing of imports of*

[117] www.ingentaconnect.com/content/els/01762680/2001/00000017/00000002/art00034
[118] www.ifpri.cgiar.org/sites/default/files/publications/rr26.pdf
[119] http://www.ifpri.org/sites/default/files/publications/mtidp69.pdf

edible oils could increase the vulnerability of domestic consumers and producers to fluctuations in world prices erecting fixing tariff barriers may not be of help. A system of variable tariffs is what would be needed. It is also seen that tariff protection helps mainly domestic processing sector (crushing and refining units) rather than oilseed growers… The current bound rates thus give sufficient room for operating variable levies for price stabilization in addition to a base rate tariff that is used to protect domestic producers".

But it is the very recent work of Frank Bruno Galtier and Vindel, prefaced by Peter Timmer – "*Managing food price instability in developing countries*" – which provides by far the strongest theoretical arguments.

Peter Timmer, Professor Emeritus of Harvard in 2012 and winner of the Leontief Prize for advancing the frontiers of economic thought, said, "*We just need to stop saying that stable food prices are a bad thing and move forward in the difficult theoretical and empirical work to learn how to stabilize the prices efficiently, effectively and honestly*". Because "*the neoclassical solution to the problem of food price volatility had been to let price volatility expresses itself fully on the market. This in order not to antagonize the informational role of prices. All the problems induced by instability in food prices can be managed, for operators in the sector, by using financial instruments to hedge against the price risk and, for poor consumers, by establishing safety nets which are activated when food prices soar. This approach has failed on both counts*".

Galtier and Vindel begin by noting that "*The instability of international prices has increased in recent years and could increase further due to climate change, reduction of global cereals stocks, the development of biofuels and the increasing financialization of agricultural markets*". To prevent VLs to penalize consumers "*The system of variable levies must be designed to protect both the consumers (when international prices soar) and producers (in case of falling international prices). This involves the use of taxes linked to prices movements*". They add that "*indexed variables taxes are perfectly predictable by market operators because their level is adjusted automatically*" and that "*government intervention based on public stocks or regulation of imports and exports make it possible to reduce price volatility regardless of its cause (natural instability, cobweb, bubbles, panics or imported instability*".

Galtier and Vindel acknowlege that "*countries' international commitments (membership to WTO, to a customs union or to a free trade zone) restrict the instruments authorized to regulate imports and exports*". But, since "*The instability of prices, by making investments in agriculture very risky, blocks green revolutions... Therefore the international community has a major responsibility: to help developing countries manage the volatility of food prices*". It is therefore necessary "*to lift the ban on indexed taxes for imports of cereals by small developing countries"* , but it is difficult to understand their defeatism when they conclude: "*Such a change in WTO rules is necessary. However it is extremely unlikely that it will happen*". Besides "*small developing countries*" is too restrictive, not only because the biggest DCs as China and India have the largest number of small farmers and will face increasing constraints to food security, but also because the VLs are also tailored to the needs of large developed countries like the EU as long as they would cease their dumping disguised under domestic subsidies.

Variable levies have not disappeared but wear several masks

The EU has maintained VLs for some cereals and fresh fruit and vegetables but under other labels. We have already seen that they are used for high-quality wheat, durum wheat, rye, corn and sorghum where the tariff is the difference between 155% of the intervention price and the representative CIF price at Rotterdam. The European Commission explicitly recognizes that, for these cereals, "*variable fees were introduced*". Similarly, when the entry price of certain vegetables (tomatoe, cucumber,

courgette) and fruits (apple, apricot, cherry, lemon) is below a trigger price the importer must pay, in addition to the *ad valorem* duty, a specific duty calculated as the difference between the entry price and the trigger price. FAO said that this is contradicting the AoA: "*Although no longer permitted, some cases of more complex import arrangements continue to exist. Two notable examples are the "entry price" system applied by the EU on fruit and vegetables. The import regime is complex as it is based on minimum import prices and seasonal tariffs. The developing countries are increasingly becoming competitive in these products and so the regime is seen by many as a source of disguised protection. In some cases, e.g. cucumber and tomatoes, market access terms are said to have worsened following the adoption of the entry price system. Similarly, the cereal import regime of the EU continues to have features similar to the previous variable levy regime. Under this system, import duties on cereals are calculated on the basis of reference import prices and domestic support levels, subject to a maximum rate agreed to in the UR*"[120].

But, as the EU notified these rules on the imports of cereals and fruits and vegetables to the GATT on 15 December 1993 in its Schedules of concessions and commitments, they are no longer actionable because the objections of the other GATT Members should have been presented between the adoption of the Uruguay Round in December 1993 and the formal signature of the new rules in Marrakech the 15 April 1994. It is clear that practically not a single developing country would have had the time to analyze in four months all the lists of Members representing 30,000 pages! Chile "*explains that Members accepted the system of the European Communities which clearly continues to levy duties that vary with the difference between European Communities and world prices*"[121].

Subsidies to exports are negative VLs and the domestic subsidies are also camouflaged VLs by their import substitution effect. The explicit export subsidies or "refunds" had an undeniable destabilizing effect on world prices and amplified their volatility. However refunds continue to be tolerated by the AoA, although the EU committed itself to remove them if the Doha Round is finally concluded. But the European Commission maintains them in a specific proposed regulation of 18 October 2011 for the 2014-20 CAP[122].

Incidentally we should underscore the contradiction between the criticism, justified, that refunds are destabilizing world prices and the fact of presenting world prices as the "true prices", the benchmark on which all countries should align their domestic prices, thus importing their dumping effect. As we have seen, it is the US which is the price maker of "grains", which prices are clearly dumping prices given the large domestic subsidies they receive. Let us add that the gradual disappearance of EU export refunds – fallen from €9.2 billion in 1992 to €3.4 billion in 2004 and €179 million in 2011– has changed little its dumping as their decline was offset by increased domestic subsidies which benefited as well to exported products. Moreover, the WTO Appellate Body ruled on four occasions – in December 2001 and December 2002 in the case of "Dairy Products of Canada," in March 2005 in the case of US cotton and in April 2005 in the case of the EU sugar – that domestic subsidies on exported products have a dumping effect.

Thus it is not the fact that the VLs have allowed the EU to stabilize the domestic prices of the benefiting products – mainly cereals, beef and dairy products – which has increased the volatility of world prices but the fact that the stability of domestic prices provided by the VLs was accompanied by the dumping of their surpluses in the absence of a policy of supply management which would have prevented it. The paradoxical fact that the two sectors in which production quotas were set up – sugar in 1968 and milk in 1984 – have contributed the most to EU dumping shows that these quotas should have been set at the level of the domestic market needs. Claude Bluman, professor of agricultural law,

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[120] www.fao.org/docrep/003/x7353f/x7353f09.htm

[121] Paragraph 4.55 of the panel report of 3 May 2002 on *Chile - Price Band System and Safeguard Measures Relating to Certain Agricultural Products*, WTO WT/DS207/R, https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?Query=%28@Symbol=%20wt/ds207/r*%20not%20rw*%29&Language=ENGLISH&Context=FomerScriptedSearch&languageUIChanged=true#

[122] http://ec.europa.eu/agriculture/cap-post-2013/legal-proposals/com629/629_en.pdf

has even estimated that "*The variable levy helps to make the Community a zone of peace in global agricultural markets, thereby, given the importance of Europe in international agricultural trade, stabilizing the world market as a whole*"[123].

There is no question that the impact on the volatility of world prices due to all subsidies to exports is greater than the additional impact on that volatility which would have come from VLs compared to tariffs. It is curious that the experts criticizing VLs have not stressed that an export subsidy, which also represents the gap between the domestic price and the world price, is nothing else than a negative VL. This observation also applies to US agricultural exports, although they did not use VLs. There is therefore no logical reason that the WTO prohibits a part of VLs – those with a positive sign – but does not prohibit those with a negative sign consisting of subsidies to the exported products, either at the export level or upstream at the farmer level or the domestic trader level.

Agricultural subsidies are camouflaged VLs by their import substitution effect: by offsetting the reductions in domestic agricultural prices to put them closer to world prices, the massive EU subsidies have had the same effect as VLs to reduce imports, thus reducing the volume of world trade and increasing volatility in world prices. The original sin of the CAP, the source of the majority of its subsequent dysfunctions, has also been the lack of protection of its imports of animal feed since the beginning of the CAP in 1962, which led to the dumping of growing surpluses of cereals, dairy products and meat in the late 60s as the massive imports of cereal substitutes ousted much of the European cereals from their domestic feed market. By banning VLs while allowing subsidies with larger protectionist and destabilizing effects on world prices, the WTO has increased the North-South inequalities in accessing the most effective tools of protection since the vast majority of developing countries are too poor to subsidize their farmers significantly, the more so as they often constitute the majority of the workforce.

In addition, export taxes are negative VLs since they are the difference between the world price and the domestic price when the first is greater than the second. Moreover the EU has explicitly qualified export taxes as VLs in 1973: "*A system of variable export levies was introduced in August 1973 to cover not only shipments of wheat but also those of barley and maize. The purpose of these levies was to safeguard the supply of the Community. This method of operations was similar to that of negative variable levies, and they were calculated as the difference between the world market price and the domestic target price in order to discourage the export of cereals... These measures remained operational in the case of wheat until the end of 1973 and during most of 1974... They were reintroduced again in 1975 for a short period*"[124].

High tariffs can isolate more than VLs the domestic prices from the fluctuations in world prices. It is clear that what isolates the domestic agricultural prices from the volatility in world prices is the high level of protection and, for that, very high tariffs are as much deterrent and effective than VLs or import quotas. It is curious that the literature focuses on the "non-tariff import restrictions" and forget the greater or lower tariffs.

Precisely, the conversion of VLs into tariffs did not reduce the EU import protection and therefore its impact on the volatility of world prices because the reference period chosen to convert VLs in tariffs covered the years 1986 to 1988 characterized by very low world prices. Let us underscore that the very low level of wheat prices in that period was clearly the result of the huge combined EU and US export subsidies – i.e. of their negative VLs –, implying a dumping rate of 92%[125]. Consequently the 36% reduction in the bound tariffs during the period of implementation of the Uruguay Round (UR) did not result in an actual reduction in applied tariffs, especially as the overall 36% reduction of the simple

[123] Claude Blumann, *Politique agricole commune. Droit communautaire agricole et agro-alimentaire*, 1996.
[124] http://www.abareconomics.com/publications_html/trade/archive/cap_eec.pdf
[125] J. Berthelot, *Solidarité supports the G-33's proposal to change the AoA provision on Public stockholding for food security*, Solidarité, April 5, 2013, http://www.solidarite.asso.fr/IMG/pdf/Solidarite_supports_the_G-33_proposal_on_Public_stockholding_for_food_security_05-04-2013.pdf

average of all agricultural tariff lines allowed to reduce by 15% only the most sensitive products. Thus in 2008 the EU simple average MFN tariff[126] of the 2202 agricultural tariff lines was (and remains) at 22.9 % and, as 425 lines have a zero tariff, the average of the 1777 lines with a positive tariff is 28.3%. Among them the average tariff of frozen meat (beef, pork and poultry) is 66% and 66 lines exceed 100%; it is 87% for dairy products and 41 lines exceed 100%; it is around 50% for cereals and cereal products and 13 lines exceed 100%; it is 59% for sugar and sugar products and 8 lines exceed 100%[127]. In other words the EU has virtually maintained a food sovereignty over its basic staple foods, even if it grants more and more tariff rate quotas in its bilateral trade agreements that are increasingly cutting back this food sovereignty. In contrast, in ECOWAS the tariff is only 5% on cereals and milk powder, 10% on rice and 20% on other agricultural products, even if Nigeria has maintained higher tariffs.

Furthermore the extensive use of non-*ad valorem* tariffs by the developed countries increases the volatility of world prices: they are either "specific" tariffs (x euros per tonne or per unit of product) or "complex" tariffs (combining specific and *ad-valorem* tariffs). Specific tariffs are much more protective than *ad valorem* ones since the first are independent from the world prices level and do not fall when world prices do. The percentage of non-*ad valorem* agricultural tariff lines was 45.8% in the EU, 42.5% in the U.S., and up to 68.1% in Norway and 89% in Switzerland. In addition, in the EU the percentage of non-*ad valorem* tariffs is even higher in the bands with higher *ad valorem* equivalent duties: they concern 99 of the 100 lines greater than 90%, 113 of the 115 lines with tariffs from 60 to 90%, but 509 only 1288 lines for tariffs going from 0 to 30%.

It is therefore very worrying that the draft agricultural modalities of 6 December 2008 of the Doha Round offers, on behalf of "tariff simplification", to convert all specific tariffs in *ad valorem* tariffs. Now that non-*ad valorem* tariffs have been used extensively and for a long time by the developed countries to protect efficiently their agriculture and make it more competitive, it is urgent to remove them for all countries. However this "simplification" has not been requested by the developed countries that have a lot of non-*ad valorem* tariffs but by the emerging countries of the G-20[128], giving precedence to the offensive interests of the net agricultural exporters among developing countries such as Brazil and Argentina against the defensive interests of the other developing countries which are net importers. Another major benefit of specific tariffs, which converge with the broader impact of VLs, is to minimize the negative impact of the large fluctuations in exchange rates on domestic agricultural prices since the entry prices of VLs are set in local currency. If, for imported products in the euro area – and by extension in the CFA franc zone – the CIF prices in dollars or pesos reflect a monetary dumping it does not matter: the products will not enter at less than x €/t. This is the very difference with a fixed *ad valorem* tariff which passes on a monetary dumping to the import price.

Contrary to the view of the WTO Appellate Body in the Argentine-Chile case, the VLs are not "*less transparent and less quantifiable*" for traders than tariffs. It is not because the VL is equivalent to a tariff which varies with each import that it is less transparent and quantifiable since each potential exporter knows in advance that, during a given marketing year, the entry price into the territory of the country with VLs is fixed for one year, which was the case in the EU. He can therefore calculate the VL given his CIF price.

In addition for the exporter the VL can be more interesting than an *ad valorem* tariff because it can be lower and its amount is less volatile. While the amount payable for the tariff increases with the world price, the amount of VL decreases with the increase in world prices. VLs are much more transparent

[126] Tariff of the "most favored nation", which does not include the preferential tariffs to many developing countries.

[127] Jacques Gallezot, *Scénarios pour les futures négociations tarifaires à l'Organisation mondiale du commerce*, INRA-INAPG, Octobre 2005.

[128] This is the G-20 formed at the Cancun Ministerial Conference in 2003 between developing countries that are net exporters of agricultural products and not of the broader political G20, an extension of the G8, dealing with major international political issues.

than complex tariffs, yet widely used by the EU and the US. Some experts also classify VLs among the most transparent tariff barriers: "*The import duties are sometimes applied at variable rates in order to stabilize the domestic price of the product by varying the rate according to the fluctuations in world prices (for example: EU). This trade measure is the most transparent of all*"[129].

The combination of highly volatile world prices with applied tariffs which can vary greatly as long as they remain below their bound tariffs creates a more uncertain climate than VLs for trade operators.

Because of this coexistence of more and more volatile world prices with tariffs that can vary greatly in developing countries where applied tariffs are much lower than bound tariffs, *ad valorem* tariff and a fortiori non-*ad valorem* tariffs create a climate of uncertainty for trade operators, exporters and importers alike, and are a factor of decline and not of increase or stabilization of world agricultural trade. Now we must expect that world and domestic agricultural prices will be more volatile due to an increasing removal of the measures regulating supply at both national and international levels, which is particularly the case in the EU with the full decoupling of subsidies.

By lack of VLs in the recent economic surge of agricultural prices, many developing countries have been forced to reduce or even remove their tariffs, certainly in the immediate interests of consumers, but which has created a climate of uncertainty for farmers who have been discouraged from investing to boost production in the absence of guarantee on the return of tariffs after the decline in world prices of 2009. Indeed, if developing countries had had VLs, the surge in world prices of 2007 and 2008 would have resulted in cancellation of VLs but they would have automatically returned positive with the decline in world prices of 2009. Indeed stable agricultural prices are a *sine qua non* for farmers to be assured of returns on their investments as well as for all traders upstream, including agricultural credit, and downstream the production level. In other words, the VLs do not block imports but regulate them much more effectively than tariffs in a context of highly volatile world prices and exchange rates.

The EU has also stressed, in the Argentina-Chile case at the WTO, that, as long as the tariff equivalent VLs remain below the bound tariffs, they should be considered legal under the WTO rules, which was also the FAO position in 2001[130].

Last but not the least advantage, VLs are less prone to corruption than tariffs. It is indeed easy and current to under-invoice imports to reduce the tariff while under-invoicing increases instead VLs. The maneuver would then be to overcharge the bill but that would reduce the competitiveness of the product in the importing country, which is not interesting for the importer. Now collusion between importers and customs is very important in ECOWAS as stated on 7 November 2007: "*The Comptroller General of the Nigeria Customs Service, Mr. Buba Gyang, has said that over 80 per cent of import documents presented by importers at the borders are falsified*"[131].

We have already noted that if ECOWAS and its member States had VLs they would not have had to remove the tariffs over the soaring prices since 2007-08 because, the CIF price being higher than the chosen entry price, no VL would have been collected. On the other hand, during the falling CIF prices of 2009, VLs would have again been collected while many ECOWAS member States did not restore the tariffs.
There is another reason, legal, why VLs would be very useful for ECOWAS to implement its major objective of food sovereignty. Unlike the EU, which is a full member of the WTO where the European Commission represents its 27 Member States (MS) in trade negotiations and proceedings before the Dispute Settlement Body, ECOWAS is not a WTO Member, only its Member States are, with the exception of Liberia whose accession process has really started in July 2012, a process that requires at least 5 years. As a result only 14 Member States of ECOWAS are WTO Members with bound tariffs

[129] www.unige.ch/ses/ecopo/cours/global/cours4.ppt
[130] http://www.fao.org/docrep/003/X8731e/x8731e07.htm
[131] http://tradeafrica.blogspot.com/2007/11/most-import-documents-presented-at.html

while the Common External Tariff (CET) of ECOWAS is only an agreement on the applied tariffs, and which has not yet been fully ratified and implemented.

Now all the negotiations on tariffs at the WTO, including those ongoing in the Doha Round, concern the reduction of their bound levels. On the other hand the Economic Partnership Agreement (EPA) negotiated between the EU and West Africa – the 15 ECOWAS countries plus Mauritania – concerns the reduction of applied tariffs and the interim EPAs signed by Côte d'Ivoire and Ghana – but not yet ratified – prohibits to increase the applied tariffs despite these two countries have bound tariffs, perhaps because these interim EPAs will disappear if the regional EPA is signed. In addition the safeguards provided by ECOWAS could not raise the tariffs at a higher level than those applied to third countries. These provisions contradict Article II of the GATT. Yet availing of a bound CET would minimize the need for safeguards, always difficult to mobilize and limited in time. This is what FAO said, that one of the reasons why 16 of the 22 developing countries that could use the Special Safeguard Clause (SSC) of the Agreement on Agriculture (AoA) did not use it was because "*their bound tariffs were high enough to allow increases in applied tariffs to offset depressed import prices and surges*"[132].

Attempts to deny Sub-Saharan countries their "other duties and charges"

Regardless of the bound tariffs of the 14 ECOWAS Member States, most have also bound "*other duties or charges*" (ODCs) at a relatively high level. The Memorandum of Understanding on the Interpretation of Article II: 1 b) of the GATT 1994 states that " *In order to ensure transparency of the legal rights and obligations deriving from paragraph 1(b) of Article II, the nature and level of any "other duties or charges" levied on bound tariff items, as referred to in that provision, shall be recorded in the Schedules of concessions annexed to GATT 1994 against the tariff item to which they apply. It is understood that such recording does not change the legal character of "other duties or charges".*" And any member of the WTO has benefited from three years to challenge the validity of the ODCs of other WTO members, after which the ODCs were bound and thus added to the bound tariffs themselves: "*A three-year time limit after the date of entry into force of the WTO Agreement, or after the date of deposit of the instrument incorporating the Schedule into GATT 1994, whichever is later, was given to any Member to challenge the existence of an ODC on the grounds that no such ODC existed at the time of the original binding, as well as the consistency of the recorded level with the previously bound level, but no such challenge was made*"[133].

However there is uncertainty as to the need to identify accurately the "nature" of the ODC, next to their level in the corresponding tariff line. The WTO requirements for reporting ODCs do not expect to justify the precise nature of the ODC but only to write in four columns: "*Other duties and charges - ad valorem duty: Other duties and charges applicable to the tariff line - this can consist of ad valorem and specific elements or textual information; Other duties and charges applicable to the tariff line – this can consist of ad valorem and specific elements or textual information; other duty units: Where applicable, unit of specific or other duty; textual information: Other information on duties and charges applicable to the tariff line*"[134]. In other words, explanations on the precise nature of the ODC are not required explicitly.

Besides, in the case Chile against Argentine of 2002, "*Chile submits that there is no definition of "ordinary" customs duties or of "other" duties and charges in any of the WTO Agreements including the WTO Understanding on the Interpretation of Article II:1(b)*"[135]. In the same case, "*As regards the*

[132] FAO, *A special safeguard mechanism for developing countries*, ftp://ftp.fao.org/docrep/fao/008/j5425e/j5425e01.pdf
[133] WTO, Anwarul Hoda, *Tariff Negotiations and Renegotiations under the GATT and the WTO: Procedures and Practices, 2002,* http://catdir.loc.gov/catdir/samples/cam034/2002278878.pdf
[134] WTO, *Consolidated Tariff Schedules Database Technical Co-operation Project*, G/MA/63, 18 June 1999, http://www.wto.org/english/tratop_e/schedules_e/goods_schedules_table_e.htm.
[135] WTO, *Chile - Price Band System and Safeguard Measures Relating to Certain Agricultural Products*, Report of the Panel of 3 May 2002, http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds207_e.htm

difference between "ordinary customs duties" and "other duties and charges", the European Communities explain that Article II:1(b) also provides with respect to "other duties and charges" that they cannot exceed a given amount, but gives no indication as to whether certain "types" of duties would or would not be considered as "other duties and charges". As for the Understanding on Article II:1(b) of GATT 1994, while obliging Members to record their "other duties and charges" in their Schedule, on penalty of losing their right to apply such "other duties and charges", the European Communities explain, it does not limit the types of duties that can be scheduled as "other duties and charges". And, according to the Appellate Body's report of this case, "*We further note, in examining Article 4.2 of the Agreement on Agriculture, that the second sentence of Article II:1(b) of the GATT 1994, does not specify what form "other duties or charges" must take to qualify as such within the meaning of that sentence. The Panel's own approach of reviewing Members' Schedules reveals that many, if not most, "other duties or charges" are expressed in ad valorem and/or specific terms, which does not, of course, make them "ordinary customs duties" under the first sentence of Article II:1(b)*".

The table below shows the bound tariff and the bound ODCs of the 14 Member States of ECOWAS. In addition, given the share of each Member State in agricultural imports from extra-ECOWAS in 2010 (Liberia excluded), we can deduct the average bound tariff+ODCs of ECOWAS.

Tariffs and Other Duties and Charges of the ECOWAS Member States in 2010

$ million	Bound tariff 1	Bound ODCs 2	Total bound 3	Imports 2010 (4)	% imports 5	Total (6=3*5)
Benin	61,80%	19%	80,8%	460	3,79%	306,22
Burkina Faso	98,20%	50%	148,2%	307	2,53%	374,95
Cape Verde	19,30%		19,3%	204	1,68%	32,42
Ivory Coast	14,90%	15%	29,4%	1284	10,57%	310,76
The Gambia	104,20%	10%	114,2%	174	1,43%	163,31
Ghana	97,20%		97,2%	1215	10%	972
Guinea	39,70%	23%	62,7%	424	3,49%	218,82
Guinea Bissau	40%	25%	65%	91	0,75%	48,75
Liberia*						0
Mali	59,20%	50%	109,2%	395	3,25%	354,90
Niger	84,20%	50%	134,2%	351	2,89%	387,84
Nigeria	150%	80%	230%	5637	46,4%	10672
Senegal	29,80%	44%	73,8%	1193	9,82%	724,72
Sierra Leone	40,30%	20%	60,3%	184	1,51%	91,05
Togo	80%	4%	84%	229	1,89%	158,76
Total	918,8%	390%	1308,3%	12148	100%	14816,5
Average	65,6%	27,9%	93,5%	867,7		105,8%

Sources: WTO, FAOSTAT; * Liberia is not a WTO Member and consequently has no bound tariffs; ¤ for some Member States the bound ODAs vary according to tariff lines and the rate shown here is only an approximate average.

We see that, on average, the ECOWAS bound tariff is 65.6%, the bound ODC is 27.9%, so that their sum is 93.5% and, given the weight of Nigeria in the total and the fact that its bound tariff and bound ODAs are higher, the weighted average bound tariff plus bound ODC of ECOWAS is 105.8%. Note that most ECOWAS Member States have bound a single tariff and a single ODC for all their agricultural tariff lines. Note especially that their bound tariffs are much higher than their applied tariffs since the last ones are at most of 20% as long as the 5th band of 35% decided in 2009 has not been ratified yet by all Member States and consequently is not implemented yet. But a number of Member States use additional duties, either in the form of the Import Safeguard Tax (IST) of 10% designed to protect local production from world price volatility and import surges, or based on "reference values" instead of CIF prices to reflect in part the dumping of imported products. In all cases the ECOWAS Member States would have had a huge leeway to raise their applied tariffs individually if they were not ECOWAS Members.

However there is a deliberate WTO willingness to ignore the legal existence of ODCs, which can be explained by the fact that the overwhelming majority of WTO Members, at least those who weigh in world agricultural trade, did not notify any ODC. This concerns both the major Western countries – EU, U.S., Canada, Japan –, the small more protectionist Western countries – Norway, Switzerland – but also the emerging countries and most of the other major developing countries – Argentina, Brazil, Mexico, Peru, Chile, Venezuela, South Korea, Philippines, India, Indonesia, South Africa, Egypt –, let alone the last entered at the WTO: China and Russia. The only Members to have notified ODCs are most SSA countries – except Cape Verde, who joined the WTO in 2008, and South Africa – and some small countries of Central America: Costa Rica (ODCs at 1%), Belize (ODCs at 14%), Barbados (ODCs at 70% to 230%), Haiti (ODCs at 8% or 16%), Jamaica (ODCs at 15%). In North Africa, only

Morocco reported a 15% ODCs for all agricultural products and in Asia only Bangladesh reported a very low ADI of 2.5% for all agricultural products.

When we know that these countries reporting ODCs hardly count in international trade of basic agricultural staples, the desire to get rid of ODCs in fact if not in law is best explained, including from the emerging countries net agricultural exporters for which the SSA countries are customers who will become increasingly important. This deliberate policy of the WTO corresponds to its objective to bring down all applied tariffs. The paradox is that, according to paragraph 76 of the WTO Revised draft modalities for agriculture of 6 December 2008, agricultural tariff lines exceeding 100% would remain available for sensitive products of developed countries. Which recalls the parable of the talents, obviously interpreted in another context: "*For to every person who has something, even more will be given, and he will have more than enough; but the person who has nothing, even the little that he has will be taken away from him*"(Gospel according to Matthew, 25-29).

The opposition of the WTO to deny the existence of ODCs, which puts it in conflict with its own rules, is found in several of its publications on tariffs. Thus its annual reports, including on the tariff profiles of its Members in 2012[136], do not mention the existence of ODCs for the Members having them ! Moreover the WTO Revised draft modalities, which is the basis for the continuation of the Doha Round negotiations, did not mention the ODCs for the calculation of reductions commitments on tariffs, leaving open the question of whether they will only have to reduce the tariffs proper or the tariffs plus ODCs. In any case the question does not arise for the Members with LDC status – which are the most numerous in SSA and are 11 of 15 in ECOWAS – which are exempted from reduction commitments, hence including for ODCs.

Yet the WTO new comprehensive database of applied and bound tariffs by Member State[137] gives all the data on ODCs! Similarly, the WTO is obliged to mention the existence of ODCs in its periodic reports on the trade policy reviews of its Members, however with many reservations!

But let us consider the case of Senegal and the Ivory Coast which have the lowest bound tariffs in ECOWAS and often lower than the 4th band of 20% of the ECOWAS common external tariff (CET). Before independence, Senegal participated in the GATT as French overseas territory and in 1963 he became a Member (formally a "Contracting Party"), its tariff schedules remaining the same. During the negotiations of the Uruguay Round Senegal consolidated 100% of its agricultural tariff lines at a rate close to 30%, and ODCs at 150%. The WTO report of 2009 on the trade policy review of Senegal confirms: "*Senegal, on the other hand, has bound all its tariff lines, mostly at 30 per cent with a few at 15 per cent; its other duties and taxes have been bound at 150 per cent*"[138]. In the previous trade policy review of Senegal in 2003 the WTO Secretariat report stated: "*During the Uruguay Round, Senegal bound all its agricultural tariff lines at 30 per cent; the Senegalese authorities indicate, however, that they reserve the right to introduce "other duties and taxes" of up to 150 per cent. In 1996, Senegal concluded the renegotiation of its non-agricultural tariff concessions, which led to binding of all the tariff lines concerned at a ceiling of 30 per cent, with some exceptions, for which Senegal undertook to reduce the rate gradually to 15 per cent by 2005. Although the tariffs actually applied on some agricultural tariff lines exceed the customs duties bound at 30 per cent due to the application of a national surcharge on certain products, together with the Common External Tariff (CET) and several supplementary WAEMU duties, the Senegalese authorities consider that this extra amount is part of the "other duties and taxes"*"[139]. FAO had previously made the same observation in 2003: "*The bindings consist of a customs duty of 30 percent and ODCs of 150 percent. The use of ODCs, which is more frequent in Africa, has been questioned by Senegal's trading partners during the*

[136] http://www.wto.org/english/res_e/booksp_e/tariff_profiles12_e.pdf
[137] Tariff download facility : http://tariffdata.wto.org/TariffList.aspx
[138] https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-1.aspx?Language=E&CatalogueIdList=103376,81378,7363&CurrentCatalogueIdIndex=0&FullTextSearch=
[139] https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-1.aspx?language=E&CatalogueIdList=103376,81378,7363&CurrentCatalogueIdIndex=2&FullTextSearch=

verification process. Examples of ODCs on imports include, among others, a maritime tax, a supplementary tax (which is intended to approximate the value-added tax applicable on importers' profit margins) and product-specific excise taxes (e.g. on stimulants such as coffee, tea and tobacco)… Contracting parties (WTO members) can challenge the ODC rates during a three-year period after the entry into force of the WTO Agreement. This does not seem to be a problem for Senegal now as more than three years have passed since it acceded to WTO"[140].

In fact, the WTO database indicates that the bound agricultural ODCs of Senegal, which obviously does not apply to intra-ECOWAS trade, are not 150% but only 44% on average, with rates varying according to tariff lines, for example: 5% (cereals), 15% (sugar), 25% (vegetables), 35% (chilled and frozen meat), 37% (flour), 48% (potatoes, dried fruits), 49% (vegetable oils, animal feed), 61% (fresh and dried fruits, nuts, animal fats, eggs and cheese), 85% (alcohol, meat and meat preparations) [141]. The GRET-AFD report of October 2010 confirms that "*Senegal has notified a ceiling rate of 150% for other duties and charges (ODCs), but modified the notification by sending a new list in April 1995 which has been certified by the WTO in May 2006*"[142]. However the report reproduces the WTO report in saying that "*There exist today 5 tariff lines for which the applied tariffs exceed bound tariffs… This situation could deteriorate if the fifth 35 per cent band being negotiated within the ECOWAS framework is adopted, as the maximum rate bound by Senegal is 30 per cent*". These 5 tariff lines, for which the applied tariff of 20% exceeds the bound tariff of 15% are: butter, dairy spreads of a fat content between 39% and 80%, fats and oils derived from milk, beer made from malt and other beer. But GRET and AFD did not pay attention that, precisely, for 4 over these 5 tariff lines, the bound ODCs are at 61% for butter and for fats and oils from butter and at 85% for beer from malt and other beer. The fact that there is no bound ODC for dairy spreads (HS code 040520) seem to have resulted from a slip of the pen, confirmed by the fact that Senegal imports of that product are negligible: less than 1 tonne from 2007 to 2010 and in 2012 and only 2 tonnes in 2011.

This shows that Senegal has a wide scope to increase its applied tariffs, which are essentially those of the ECOWAS CET, hence of at most 20%, even if Senegal complements them for a number of sensitive products, including a 20% surcharge on onions and potatoes, an economic import tax (EIT) of 10% on wheat flour, tomato paste, condensed milk, juice fruit, sugar, and a fee of 100 CFAF per kg of beef and lamb and 50 CFAF per kg of pigmeat. Furthermore Senegal has stopped importing poultry since 2005 but at least its bound tariff is at 30% plus ODCs at 61%, making 91% all together so that it is likely that these dissuasive tariff + ODC would have had the same effect as the import ban.

Nevertheless the WTO refuses to take into account Senegal's bound ODCs when it says, in the report on its trade policy review of December 2009: "*The combined effect of the CET, the supplementary duties, the surcharges and the TCI (Conjuncture import tax) means that tariff levels applied exceed the levels bound at 30 per cent in Schedule XLIX; the Senegalese authorities indicate, however, that they reserve the right to impose other duties and taxes on agricultural products of up to 150 per cent*". The WTO is also indignant that Senegal – and this could be extended to all ECOWAS Member States – does not comply with the WAEMU-ECOWAS CET even though it concerns only the applied tariffs: "*Senegal still gives protection that goes beyond the WAEMU's CET for local agri-food products (wheat flour, tomato concentrate, condensed milk, fruit juice, sugar and cigarettes), and for locally produced goods (onions, rice, millet, potatoes, etc.)*".

For J.P. Rolland and A. Alpha of GRET also: "*Customs duties set by the countries in the region should not exceed the levels of consolidated duties notified to the WTO. These consolidated duties, some of which are very low, correspond to unrevised concessions granted to France during colonial rule. In some cases, the implementation of WAEMU's CET was accompanied by a WTO-incompatible increase in tariffs. Adding a fifth band at 35 percent in ECOWAS' CET may well make things worse for many*

[140] http://www.fao.org/docrep/005/y4632e/y4632e0v.htm#bm31.2
[141] http://tariffdata.wto.org/TariffList.aspx
[142] http://www.acp-eu-trade.org/library/files/Roland%20&%20Alpha_FR_011010_GRET_Etude%20sur%20la%20coherence%20.pdf

countries. Senegal for example has already notified the WTO of 30 percent maximum duties"[143]. Clearly they refuse to consider Senegal's ODCs as bound.

Besides the meeting of the "Regional, multi-stakeholder dialogue to develop joint African vision" of September 2012 underlines that "*The Common External Tariff sets a maximum tariff range of 35%. This rate is above the bound rate by many West African countries such as Côte d'Ivoire, Senegal and many others. These countries have no choice but to revise their commitments in the WTO in order to apply the regional CET*", showing that the Cacid's participants did not take into account the bound ODCs[144]. Even if they "*Consider, when the level of economic integration of the RECs will allow, accession to the WTO as a regional entity, as is the case for the European Union. This applies more specifically to the ECOWAS, since this option was presented as one of the solutions to the conflict between the bound rates of ECOWAS member of the WTO and the regional CET*", clearly they did not take into account that the bound ODCs of ECOWAS Member States would facilitate greatly the binding of the ECOWAS CET at much higher levels than the present applied levels or even at a level higher than the weighted average of the only bound tariffs.

Ivory Coast is another ECOWAS Member State about which it is commonly said that its agricultural bound tariffs are very low and that there is no leeway to raise its applied tariffs, since the former are mainly at 15% and are lower for certain products. Hence they are lower than the 20% applied tariffs for products of the 4th band of the ECOWAS CET. However the bound ODCs are often high and are either *ad valorem* or specific or complex ODCs so that it is almost impossible to assess an accurate average *ad valorem* equivalent, even if we can estimate it at about 15%. Some of the *ad valorem* ODCs are: 5% (non-tropical cereals, oilseeds), 10% (live animals, fresh fruits and vegetables), 15% (flour, dried vegetables and fruits, spices, millet and sorghum), 20% (sugar, prepared fruits and vegetables, grains and meat), 30% (chocolate and confectionery), 50% (soybean oil and peanut), 62.5% or 70% (palm oil). Examples of some specific ODCs: 600 CFAF/net kg of meat and offal (all species) or 915 €/ton, 110 CFAF/ kg (168 €/t) for butter and cheese. Examples of complex ODCs: milled rice (20% + 5 CFAF/kg), fruit juice (20% + 5 CFAF/bottle), tomato sauce (20% + 25 CFAF/kg), sparkling wine (30% + 1 350 CFAF/litre), other wines (30% + 77 CFAF/litre), spirits (30% + 2600 CFAF/bottle).

The WTO report of 2012 on Ivory Coast's trade policy review confirms that, "*As regards other duties and taxes, Côte d'Ivoire has made detailed commitments specifying certain duties (including the fiscal tax) in force at the time. These duties have been bound for over 1,600 tariff lines at* ad valorem *rates ranging from zero to 70 per cent; another 130 lines have been bound at specific or compound rates*". But it adds: "*Côte d'Ivoire's imposition of other import duties and taxes seems at odds with its commitments in that regard, especially as pertains to products for which these duties and taxes have been bound at low levels*". This sentence does not mean anything and shows only that the WTO would like that these ODCS should not exist as they have the effect of raising the margin of increase of the applied tariffs. There is a contradiction here: if Ivory Coast exceeds its commitments on bound tariffs and ODCs then why the WTO does it publish Ivory Coast's bound ODCs in its new trade data base ?

Finally, a few words on Nigeria whose levels of tariffs and ODCs are the highest in ECOWAS. The latest WTO report of 2011 on Nigeria trade policy review states that "*Agriculture policy in Nigeria continues to rely on trade measures, including a prohibition on imports of a range of products, including poultry and eggs, pork, beef, cassava, some refined vegetable oils, cocoa butter, powder and cakes, spaghetti and noodles, packed fruit juice, and drinking waters.*[145] *The list of products used to be considerably longer and, until end-2007, included flowers, fresh and dried fruit, maize, wheat flour, crude vegetable oils, linseed oil, castor oil and olive oil, sugar confectionaries, biscuits, and beer*".

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[143] *Reinforcing the consistency of commercial policies in West Africa*, http://ictsd.org/i/news/bridges-africa-review/131380/

[144] http://endatiersmonde.org/docs/REGIONAL_DIALOGUE_enda_Cacid

[145] Nigeria Customs Service online information: http://www.customs.gov.ng/ProhibitionList/import.php [November 2010].

Nigeria's government justifies itself: "*Outstanding items in the import prohibition list are for protection of public morals; and protection of human, animal or plant life or health. Nevertheless, the remaining items under import ban are to be reviewed as soon as appropriate alternative mechanisms for dealing with issues that necessitated the import ban in the first instance are firmly institutionalised and effectively operational*".

During the meetings on the review of Nigeria's trade policy, the EU criticized Nigeria for not complying with the ECOWAS rules: "*The review of the Tariff Book 2008-2012"in November 2008 introduced new protectionist import measures in form of special levies, ranging from 5% to 100% depending on the products and sectors, mostly for products which were previously the subject of import bans. Both the import bans and the special levies are not only a barrier to regional integration as they are inconsistent with ECOWAS trade liberalisation scheme, but also inconsistent with GATT Article XI. We follow with interest Nigeria's plans to eliminate import bans and special levies and to comply with both WTO and ECOWAS obligations*".

To this Nigeria replied that ECOWAS has not yet a common trade policy and that, "*In view of the fact that regionalism is a waiver to WTO MFN, it would be safe to say that Nigeria will satisfy the import liberalisation of the region when the Common trade policy and the issues in the ETLS* [ECOWAS Trade Liberalization Scheme] *are fully addressed. The ECOWAS Commission has only recently completed the categorization of products under the CET which Nigeria will look into*". This was a polite manner to say that Nigeria has accepted reluctantly the creation of the fifth *ad valorem* tariff band at 35% since it had fought for a long time to have a 50% band and that it is not prepared to dismantle its large protections from one day to the next.

To the EU question "*Could Nigeria elaborate further on how it intends to review the other duties and taxes, currently included in Nigeria's tariff book in order to ensure full compatibility and implementation of ECOWAS CET?*", Nigeria kicked the ball into touch, responding that "*Nigeria has commenced the process of consultations with a view to reviewing other duties and taxes. Further details will be provided as the process develops*". We know that only a small part of the bound ODCs of 80% on all agricultural products is presently used, leaving a large leeway for other charges: a levy of 10% on the import of sugar and of 20% on the import of rice, a port development levy of 7% of the duties payable; an ECOWAS community levy of 0.5%[146]; a Comprehensive Import Supervision Scheme charge of 1% on the f.o.b. value of imports.

It is worth noting that the WTO had recognized, in its report on Nigeria trade policy review of 2005 that its import bans and tariffs at 100% on plant products have played a role in the large increase in agricultural production through their effect on the rise of agricultural prices[147]. The trade policy review of 2011 reiterates that "*Agriculture's share of GDP has been steady in real terms over the past few years reflecting strong growth in output that averaged 6.7% in real terms in the 2004 to 2009 period* ".

Let us conclude by saying that SSA countries and those of Central America must mobilize to make their rights to use ODCs being fully recognized by the WTO Secretariat and Members to raise their total bound tariffs. This right should be all the more easily recognized that most SSA countries and Bangladesh are Less developed countries, which are exempted from reducing tariffs by the WTO rules, in the Doha Round as already in the Uruguay Round.

But ECOWAS Member States should begin by clearly defining their common trade policy. Indeed it is illogical that the eight Members States of WAEMU – the West African Economic and Monetary Union, which includes the seven French speaking ECOWAS Member States plus Guinea Bissau – have formally conferred to the WAEMU Commission exclusive jurisdiction over their bilateral common trade policy with third countries despite that WAEMU and ECOWAS do not have bound

[146] This tax is intended to compensate for the major tariff reduction involved in the CET and is applicable to industrial and agri-industrial products in specific activities.
[147] OMC, WT/TPR/S/147, 2005.

tariffs and a fortiori bound ODCs, which deprives them from the possibility to increase their applied tariffs beyond the CET rates. Let us note incidentally that the strong dependence of the WAEMU funding from the EU submits it continuously to high pressures, including not to challenge the EU views on the WTO and the West Africa EPA.

Steps to implement variable levies in ECOWAS

To avail of an efficient import protection guaranteeing the maintenance at any time of remunerative prices for its farmers, ECOWAS has two possible routes:

- Either to begin immediately the process of formal recognition as a WTO Member as the EU had done, while binding the weighted average of tariffs + ODCs of its Member States at 105.8% *ad valorem*. But this route has little chance to succeed for many reasons, of which the WTO slow and complex procedures and the political opposition of net food exporting countries, including from the G-20 developing countries Members;

- Or carry on regardless the present WTO rules and rebuild the CET on VLs, as long as no VL would exceed the *ad valorem* equivalent ceiling of 105.8%. We have already noted that, for the EU and FAO, the VLs on imports must be allowed provided they do not exceed the level of bound tariffs. This would allow to determine the level of entry prices ensuring remunerative prices for most agricultural products of ECOWAS so that the gap between the two prices would not exceed an ad valorem equivalent tariff of 105.8% for each product.

The scope of this paper does not permit to analyze the many measures to implement to develop regional integration in agriculture and food or even to present all the measures to implement the VLs, so that we will limit to a few points.

Once adopted the principle of basing the bulk of ECOWAS import protection on VLs, the following steps are to be taken:
1) The ECOWAS Heads of State inform their trading partners, including the WTO and the EU, that it recasts its CET on VLs.
2) Identify the entry prices allowing average remunerative prices at the farm level.
3) Plan the measures to be taken, other than at the import level, to ensure remunerative agricultural prices.
4) Plan measures to avoid penalizing consumers.

1) After having convinced the peasant leaders of its national platforms, ROPPA – the network of West African family farmers' organizations – must inform the ECOWAS Heads of State of the necessity to rebuild the CET on VLs. It will highlight that, given the huge short and long term challenges ECOWAS is facing, it does not have the right to waive the most effective means of protection to ensure its agricultural and rural development, on the pretext that the WTO no longer authorizes those means, knowing that the unfair WTO rules were essentially devised by the EU and the US during the Uruguay Round under pressure from international agribusinesses.

ECOWAP – the ECOWAS common agricultural policy adopted the 19 January 2005 – underscores that "*West Africa suffers a disloyal competition from industrialized countries, which creates distortions in the world agricultural prices of products such as cotton, sugar, oilseeds, animal products, etc. for which the region enjoys comparative advantages. Without a viable agreement on agricultural products trade at the WTO, which would reduce or eliminate such subsidies, an action of unilateral protection at the regional level is justified, as a means to compensate distortions on the world market. A similar differentiated protection is justified for the uncertainties linked to market fluctuations affecting vulnerable populations. Finally, it is justified in the perspective of protecting the investments of some food chains for which the region enjoys potential comparative advantages*" (article 7.3.2).

If the EU and the US refuse to accept ECOWAS' decision, ECOWAS would have no choice but to threaten to sue them at the WTO for their larger violations of WTO rules on their agricultural subsidies, not to say that these subsidies are negative VLs on their exported products. The above analysis has shown that the EU and the US continue to use many other VLs and refuse to call a spade a spade. ECOWAS should also alert the EU that it puts an end to negotiations on the EPA (Economic Partnership Agreement), whose rules condemn regional integration. The more so now that the EU has embarked to negotiate a transatlantic free-trade agreement with the US, to which Brazil could even join, which would annihilate the alleged preferential market access that the EPAs were supposed to confer to ACPs on the EU domestic market.

2) Identify the level of entry prices into the ECOWAS territory by identifying the average production costs for the majority of farmers and ranchers: since a VL is the difference between the entry price at the ECOWAS border (ports, airports, land borders) and the CIF import price of each, one have to identify the average remunerative prices in the main producing areas. The entry prices will be equal to these average prices – set at the wholesale stage for a variety and quality close to that of the most common imported products – plus the average cost of transportation to the border. These average prices should be remunerative enough for prompting producers to invest in order to increase yields and acreage.

The entry prices will be defined in CFAF and in currencies outside the franc zone for each marketing year to ensure the transparency of VLs for importers and exporters. It is not necessary to create an accounting currency on the type of ECU that prevailed in the EU until the creation of the euro, as it had involved the complex mechanisms of "monetary compensatory amounts" (MCAs) for all exchanges between Member States, which had adverse effects. In case of large fluctuations in exchange rates between the currencies of ECOWAS, it may be necessary to provide a review of the entry prices every 6 months or even every 3 months.

The large disparities in production costs within ECOWAS for the same product will not permit to immediately find the "right" price but the system will improve year after year, especially since the level of entry prices will be raised gradually, say at first sight over 5 years. Having started VLs in the current environment of high world agricultural prices will facilitate this implementation.

To determine the average production costs per product at the regional level, we will begin by establishing their level in each Member State in the context of interprofessional committees comprising, besides representatives of the Administration – of customs, agriculture, trade, research, regional and national observatories of markets – the representatives of farmers, agro-industries, local traders, transporters, consumers, the representatives of producers weighing as much as those of the other stakeholders. The ROPPA's national platforms must be at the forefront of that action.

Entry prices will be set once a year, before the start of the production season, so as to enable farmers, credit institutions, agro-industries and traders to invest, with full knowledge of the facts of what to produce and more cheaply. These entry prices will be established for the specific qualities most commonly imported. They will be made public, particularly amongst importers and exporters and reported to the WTO. Thus importers and exporters will be able to calculate the VLs given their CIF prices.

The priority is to focus initially on the implementation of Vls on food commodities competing with regional staples – rice, corn, wheat and flour, sugar, potatoes, onions, tomato paste, milk products, meat –, starting with those for which the response of the regional production may be the fastest.

3) Provide other ways than on import to ensure remunerative agricultural prices

If the fixed entry prices provided by the VLs ensure that domestic agricultural prices will not be affected by imports at lower prices in regional currencies, they cannot alone ensure that the domestic prices will be sufficiently profitable. They may indeed fall in the following cases: overabundant

harvest, low storage or processing capacities, lack of profitable export opportunities, confiscation of marketing margins by traders, illegal extortion of money by the military and police, etc.

A key action will be to develop storage, primarily by farmers themselves, including through collective means such as cereals banks. Public aids to storage will have in return a commitment to put back on the market some stocks when prices would increase beyond a certain percentage, or even to sell them to Government – State, local authorities, food security funds – which will subsidize and sell them to licensed shops selling the local food products to the most disadvantaged consumers at the old prices, those prevailing before the higher entry prices and hence the higher agricultural prices.

Continue to import food at dumping prices can only aggravate underdevelopment by increasing the impoverishment of farmers who account for almost two thirds of the population, without purchasing power to buy goods and services from the rest of the national economy. It is urgent to initiate the reverse virtuous circle based on remunerative prices for farmers, allowing them to invest to raise their yields and acreage, which will lower their unit production cost and will allow them, after 5 to 10 years, to make do with lower agricultural prices for consumers.

4) Take measures to avoid penalizing consumers.

It is put forward that a higher import protection would be unbearable for poor consumers and provoke popular uprisings threatening governments. No, because the rise in agricultural prices would be spread over a period of at least five years, along with rising entry prices. Above all the majority of consumers in ECOWAS countries are farmers who will benefit overall of higher agricultural prices. Even if all farmers do not have a surplus to sell, they will be encouraged to produce more for the domestic market, as it was found in Nigeria.

There will be a difficult transition period of 5 to 10 years during which the developed countries and international institutions must help poor West African consumers by funding food stamps allowing them to continue to buy local food products at the old retail prices. It would allow the SSA, including ECOWAS, to apply measures similar to those implemented in all major developed and emerging countries. In most EU Member States social minima allowances make them less necessary at such a large scale as in the US but rising unemployment and of the number of poor since 2008 requires a minimum domestic food aid that the EU policy makers do not want to give.

Indeed in the 2012 fiscal year US domestic food aid expenditures amounted to $107 billion – 8.13% of US food expenditures without alcoholic beverages – to 104 million beneficiaries in several programmes, or about 80 million without double-counting, of which SNAP (Food stamps) for $78 billion to 46.6 million beneficiaries, allowing them to purchase food at a reduced rate[148]. In India there were in 2010 about 475 million of poor, of whom 325 million below the poverty line, receiving food aid in wheat and rice for a total cost of 12.9 billion, amounting to 58 kg of cereal per person. Which is 3.1 times less than the 182 kg/person of the US 80 million beneficiaries of cereals food aid and 4.2 times less than the 241 kg for each of the 46.6 beneficiaries of the SNAP, knowing that the bulk of these US cereals were hidden in the animal products consumed by the beneficiaries of US domestic food aid. In Brazil, the "Zero Hunger" program covers 65 types of actions, including food stamps to 44 million inhabitants in 2010 at a cost of $6 billion.

For ECOWAS the funding could come from a very long term loan (30-40 years) of the World Bank subsidiary AID (Agency for International Development), at an interest rate of 0.75% and with a 10-year deferred paying back. This would be a component of a "Marshall Plan" for ECOWAS and other SSA countries, alongside a component infrastructure to increase regional trade, a component "research and diffusion of technologies on processing of local cereals and tubers" as a substitute to imports of

[148] *Solidarité supports the G-33's proposal to change the AoA provision on Public stockholding for food security*, April 5, 2013, http://www.solidarite.asso.fr/IMG/pdf/Solidarite_supports_the_G-33_proposal_on_Public_stockholding_for_food_security_05-04-2013.pdf

wheat[149] and rice, and a component "non-agricultural jobs" to raise the purchasing power of urban citizens, through raising the tariffs on the textile and clothing sector to ensure profitable outlets to regional cotton. But the increased tax revenues from the VLs will also help to finance these activities minimizing the negative impacts of higher agricultural prices for consumers.

Conclusion

The previous analyzes have shown the contradictions in which are placed the agricultural policies in the field of regulating agricultural prices and agricultural land markets:

- Contradiction between the recognition of the role of biofuels in the sharp drop in US and EU cereal stocks, the main source of the hikes in agricultural prices, and the continued promotion of biofuels under the pretext of fighting global warming.

- Contradiction between the alleged fight against the volatility of agricultural prices and the lack of effective measures to counteract it, because the higher prices of cereals and oilseeds benefit greatly to the producers and the trade balance of the major exporting countries.

- Contradiction between the recognition of the important role of the financial speculation in amplifying price volatility and the strong resistance of financial institutions to effective measures to regulate their interventions on the futures and OTC markets, resistance shared in part by most States for which the presence of derivatives markets is necessary.

- Contradiction between the soaring prices of cereals and oilseeds in the EU itself, together with the fact that the decoupled direct payments are based on hectares, which both are fueling speculation on agricultural land and the concentration of farms, despite the sharp rise in unemployment.

- Contradiction between, on the one hand, the "*Voluntary Guidelines on the Responsible Governance of Tenure*" and the "*Principles for Responsible Agricultural Investments*" and, secondly, the joint efforts of States, particularly of Sub-Saharan Africa, and agribusiness multinationals to promote large "modern" farms on the grounds that small family farms are unable to make progress to meet the challenges of increasing food deficit and population growth.

- Contradiction between the fact that Western countries want to prohibit export restrictions of cereals used by developing countries in 2007-08 and the fact that the 137 million tonnes of US and EU cereals processed into fuel ethanol in 2011 and 2012 were much larger export restrictions.

- Contradiction between the promotion by the G20 of cereals stocks in the world regions in structural food deficit, such as West Africa, to deal with price spikes and the fact that the U.S. and the EU continue to push global prices upward by the reduction of their own cereal stocks due to fuel ethanol. It will flare up even more cereal prices in West Africa that its volume of imported cereals is 17.5 times higher than the safety stock programmed by the G20.

- Contradiction between the prohibition of variable levies on imports - the only effective measure to stabilize domestic agricultural prices at a profitable level for the majority of farmers - and the fact that they are used in many forms less explicit but destabilizing more agricultural prices and investments.

- Contradiction between the high level of bound tariffs of SSA countries, including of ECOWAS' Member States, and the very low level of their applied tariffs. Contradiction accentuated by the fact that ECOWAS itself, which is in the process of coordinating the common trade policy of its 15 Member States, has no bound tariffs and its CET itself concerns only applied tariffs. Contradiction

[149] Look at the training of Senegal's bakers in 2011 to make breads with 30% to 50% flour of millet, maize or cassava, by the NGO Solidarité, and the DVD "Mil et une solutions": http://www.solidarite.asso.fr/SENEGAL-Valoriser-les-cereales

with the fact that the draft regional EPA between the EU and ECOWAS forbids it and its Member States to increase their applied tariffs.

- Contradiction between the legality of the bound "*other duties and charges*" (ODCs) of ECOWAS' Member States and the fact that the WTO and the majority of its Members do not recognize them, since the only countries having notified them are poor food-deficit countries, mainly in SSA. This contradiction is all the more obvious than the majority of SSA countries are LDCs that are not required to reduce their bound tariffs.

- We should add the contradictions related to agricultural policies, not mentioned here, including the opening of their agricultural markets imposed to developing countries, LDCs included, by the tandem IMF-World Bank since the 1980s, by the WTO since 1995 (except LDCs) and by bilateral free trade agreements since the 2000s, including the EPAs imposed to ACP countries by the EU.

Faced with all these contradictions, the only obvious way for ECOWAS is to show political courage to impose on all its "donors" – who are also its predators – the radical overhaul of its agricultural trade policy, based on VLs. They are the only means to ensure to farmers, who represent about two thirds of its active population, remunerative and stable prices. This will in turn foster a sharp increase in agricultural production and incomes, which is imperative for its overall economic development in the face of its fast increasing population which would rise from 304 million in 2010 to 744 million in 2050.

But the scope of this book did not permit to present all the steps of the strategy to rebuild agricultural policies worldwide on food sovereignty, especially in the ECOWAS or even the EU[150].

List of acronyms

3ADI: African Agribusiness and Agro-Industries Development Initiative
ACP: Africa-Carribean-Pacific
AFD: French Development Agency
AGRA: Alliance for a Green Revolution in Africa
AID: Agency for International Development
AMS: Aggregate Measurement of Support or Amber box of trade-distorting agricultural domestic

[150] See J. Berthelot's other analyses: http://www.solidarite.asso.fr

supports
AoA: Agreement On Agriculture of the WTO
CAADP: Comprehensive Africa Agriculture Development Programme
CACID: Centre Africain pour le Commerce, l'Intégration et le Développement
CAP: Common Agricultural Policy of the EU
CBOT: Chicago Board Of Trade
CET: Common External Tariff
CFAF: CFA franc, franc of the African Financial Community of former French colonies
CFS: Committee on World Food Security
CFTC: Commodity Futures Trading Commission
CIF: cost, insurance, freight
CILSS: Permanent Inter-States Committee of fight against drought in the Sahel
CIRAD: Centre of International Cooperation on Agronomic Research for Development
CME: Chicago Mercantile Exchange
CNCR: National Council of Cooperation and Coordination of Rural Senegal
CSM: Civil Society's Mechanism
CSO: Civil Society's Organisation
DC: Developing Country
EC: European Commission
ECOWAS: Economic Community of West African States
ECU: European Currency Unit
EIT: Economic Import Tax
EMIR: European Market Infrastructure Regulation
EPA: Economic Partnership Agreement between the ACPs and the EU
EU: European Union
EU12: EU composed of the 12 Member States having joined the EU15 in 2004 and 2007
EU15: EU of the former 15 Member States from 1995 to 2003
EU27: EU composed of 27 Member States from 2007 to July 1, 2013
FAO: Food and Agriculture Organization of the United Nations
FAPRI: Food and Agricultural Policy Research Institute
FARA: Forum for Agricultural Research in Africa
FED: Federal Reserve Bank of the USA
FIAN: Foodfirst Information and Action Network
FM: Futures' market
FOB: Free On Board
FTA: Free-Trade Agreement
GATT: General Agreement on Tariffs and Trade
G20: Group of 19 countries plus the EU meeting generally twice a year to debate global economic issues
GMO: Genetically Modified Organism
GRET: Groupe de Recherches et d'Echanges Technologiques
IATP: International Agriculture and Trade Policy
ICTSD: International Centre for Trade and Sustainable Development
IFAD: International Fund for Agricultural Development
IFPRI: International Food Policy Research Institute
IIED: International Institute for Environment and Development
IISD: International Institute for Sustainable Development
ILO: International Labour Organisation
IMF: International Monetary Fund
IOSCO: International Organization of Securities Commissions
IST: Import Safeguard Tax
NGO: Non-Governmental Organisation
NYSE: New York Stock Exchange
KCBT: Kansas City Board of Trade
LIFFE: London International Financial Futures and options Exchange

MCA: Monetary Compensatory Amount
MFN: Most Favoured Nation
MGE: Minneapolis Grain Exchange
Mt: million tonnes
NAIP: National Agricultural Investment Programme
NASDAQ: National Association of Securities Dealers Automated Quotations
NEPAD: New Partnership for Africa's Development
NGO: Non-Governmental Organisation
NYSE: New York Stock Exchange
ODA: Overseas Development Aid
ODC: Other Duties and Charges
OECD: Organisation for Economic Cooperation and Development
OTC: Over The Counter, non- regulated financial markets
REC: Regional Economic Community
RIAP: Regional Agricultural Investment Programme
ROPPA: Network of Farmers' and Agricultural Producers' Organisations of West Africa
SAPS: Single Area Payment Scheme of the EU
SCM: Safeguards and Countervailing Measures
SEC: Securities and Exchange Commission
SNAP: Supplemental Nutrition Assistance Program
SPS: Single Payment Scheme of the EU
SSA: Sub-Saharan Africa
SSC: Special Safeguard Clause
TIC: French domestic consumption tax on energy products
UAA: Used Agricultural Area
UK: United Kingdom
UN: United Nations
UNAC: National Farmers Union of Mozambique
UNCTAD: United Nations Conference on Trade and Development
UNICEF: United Nations Children's Fund
UNIDO: United Nations Industrial Development Organisation
US, USA: United States of America
USDA: United States Department of Agriculture
VAT: Value Added tax
VEETC: Volumetric Ethanol Excise Tax Credit
VL: Variable Levy
WA: West Africa
WAEMU: West Africa's Economic and Monetary Union
WFP: World Food Programme
WTO: World Trade Organization

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